

NHCNews Briefs

Industry Update

Belknap fight nearing end

LOUISVILLE, Ky.—The two-month fight for control of hardware wholesaler Belknap Inc. may be nearing an end.

Concord Corp., whose sole shareholder is David A. Jones, chairman of health care company Humana Inc. of Louisville, has made a tender offer of \$24 per share for Belknap's remaining 1.4 million common shares that he does not already own. Jones holds 25% of Belknap stock.

Belknap's board of directors has unanimously approved the offer, which expires March 28, and the resulting merger of Concord into Belknap, a spokesman for Belknap's board confirmed.

Jones was making no comment on the matter.

Belknap's board had previously thrown its support behind a bid from its chairman Jerry L. Barton, other company managers and two venture capital firms to take the company private at \$20 per common share (NHCN, Feb. 27).

However, Clyde W. Engel, who had been Belknap's largest shareholder through his company Telvest of Chicago, offered \$22 per common share for the company, and hardware wholesaler Moore Handley made a \$17 to \$19 per share offering for all Belknap's assets except its Louisville real estate.

The Moore Handley offer was rejected. Jones subsequently bought Engle's 18% share in Belknap.

Belknap serves 12,000 stores, including home centers, in the eastern United States.

Chicago sees 4th Forest City

MORTON GROVE, Ill.—Forest City will open a store in a facility which formerly housed a Handyman here in this Chicago suburb, president Edward Seymour of the Cleveland-based company announced.

The new outlet will be the chain's fourth in the Chicago market and will have a warehouse format, Seymour said. The company is presently converting its three other Chicago stores to the warehouse concept (NHCN, March 12).

"All our stores in Chicago henceforth will be warehouse stores," Seymour noted.

Forest City will occupy the 46,000 to 47,000 sq. ft. that Handyman had here as well as an additional adjoining 10,000 to 15,000 sq. ft. of space later this year, according to Seymour.

Handyman exited Morton Grove and Chicago last year (NHCN, May 23, 1983).

Wickes plans reward payments

SANTA MONICA, Calif.—A multimillion-dollar program to reward about 190 key employees of Wickes Cos. when the retailer emerges from bankruptcy proceedings is being formulated.

According to Wickes officials, a committee of outside directors is negotiating to establish special awards totaling about \$18 million distributed over an unspecified time period to the top company officials.

No members of management are involved in the negotiations for the reward program. It is customary for special remuneration packages to be established for executives who have led companies through chapter 11 proceedings, officials say.

The purpose of the rewards, in part, is to obtain employment agreements to assure that the top-ranking corporate personnel will remain with the company following its emergence from court protection, now expected to occur by late October (NHCN, March 12).

Wickes announced in late February that it has reached agreement with its main creditors to settle virtually all of the remaining \$1.21 billion in debt the retailer has when it filed for bankruptcy protection in April 1982. Under the plan, creditors will receive a combination of cash, stock and notes in payments for the claims.



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Profitable year for DIY chains spurs shuffling in top 10 ranking

By Greg Puchalski

NHCN senior editor

NATIONAL REPORT—W. R. Grace and Lowe's maintained their No. 1 rankings in terms of DIY sales and total sales, respectively, in the home center industry last year, NHCN preliminary estimates revealed.

However, 1983 was a year in which three companies, Payless Cashways, Sutherland Lumber and Rickel Home Centers made advances in the DIY Top 10. Rickel moved up two notches from No. 11 in 1982 to No. 9 in 1983. The Home Depot, ranked No. 20 in 1982, just failed to crack the Top 10.

The 1983 Top 10 chart indicates the growth that most of the DIY industry enjoyed last year as the top companies as a whole had 20% more DIY sales than in 1982. Top 10 volume totaled \$5.42 billion.

NHCN will publish the complete Top 100 home center list as well as other pertinent 1983 home center statistics in its annual industry census issue on May 7.

Despite top management changes in Grace's home center division and its absorption into the company's specialty retailing group last year, W. R. Grace, New York, topped DIY retailers with \$973 million in consumer volume, up 16% from 1982, to rank No. 1 for the sixth consecutive year.

Grace was also projected as the third company in home center history to surpass \$1 billion in annual sales with a 1983 total of \$1.024 billion, second only to Lowe's in total volume. The only other home center company to reach \$1 billion in volume was Wickes in the late 1970's.

Grace, whose home center holdings include Angels, Cashway, Channel, Handy City, Handy Dan, House Works and Orchard Supply, did 95% of its volume with consumers, down 1% from 1982 because of last year's construction boom, NHCN estimated, in 286 stores, 13 more than the previous year.

Payless Cashways, Kansas City, Mo., last year made the most significant DIY volume leap. The 121-store chain ranked second in the DIY ratings with DIY sales of \$821 million, up a whopping 43% from the previous year.

Payless jumped over Evans Products, which was more than \$100 million ahead of Payless in DIY sales in 1982. However, the 121-store company's phenomenal growth to \$864 million in overall volume, fourth highest in that regard, and its 21 more stores, including the seven-unit Lumberjack acquisition, by year-end helped produce the hike.

Despite its troubled parent, Evans' retail group made a 14% gain in DIY volume to \$790 million, good for third place. The 345-store chain, which includes Alamo Enterprises, Grossman's, Hubbard & Johnson, Lindsley and Moore's stores, also neared the \$1 billion mark

(Continued on page 31)

BMA show sees record orders; \$50 million spent in three days

By John Caulfield

NHCN senior editor

ATLANTA—When Bob White came to this year's Builder Marts of America "Independent's Days" buying show here last month, he wasted little time getting into the spirit of the event.

Within a half hour of his arrival, White—a buyer for the eight-store Woodbury & Sons in Glen Falls, N.Y.—had ordered over \$60,000 worth of fiberglass insulation from Owens-Corning, and had collected \$900 in "spiffs," or rebates, from that vendor, redeemable in cash at the show from BMA.

This level of buying, and these kinds of buying incentives, were typical of the bustling, and sometimes overwhelming activity on the show's two exhibition floors at the Atlanta Hilton on Feb. 28 through March 1. During the 17 hours of the show, dealers placed more than \$50 million worth of orders with 160 suppliers, up from \$45



Bob White, buyer for Woodbury & Sons in Glen Falls, N.Y., bought nine truckloads of fiberglass insulation at the BMA show in Atlanta late last month.

million in 1983. (Exact sales were not yet available from BMA.)

The show's total attendance was also up about 25% to an estimated 2,500, despite many areas of the country having severe weather problems.

"The attitude among our dealers was higher than ever

before, our vendors wrote more orders than at any other of our shows, and we were extremely pleased with the show as a whole," said C. C. Snyder, BMA's director of merchandising who organizes the show for the Greenville, S.C., dealer services group.

The enthusiasm level Snyder referred to was immediately evident from talking with both dealers and vendors on the show's floor, some of whom participate in no other trade show throughout the year.

"There's no question the timing of the show is right for us, especially since we're in the northeast," said White after making his insulation purchase. "And now that we're bigger [Woodbury's bought three Diamond International units last year], the BMA show offers tremendous advantages."

"The BMA show is one of the few we go to where we can actually conduct business," said Jim Brown, assistant sales manager

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Pay 'N Pak rolls out small whse; 3 format sizes planned in future

MODESTO, Calif.—Pay 'N Pak late this month was scheduled to debut its first store featuring the warehouse concept adapted to a smaller unit, according to chairman and ceo David Heerensperger.

The 35,000-sq.-ft. store, one of 21 warehouse-type home centers Pay 'N Pak plans to open this year and next, has a different look from the 56,000-sq.-ft. Pay 'N Pak Home Improvement Warehouse Outlet at the company's headquarters in Kent, Wash.

The outlet here splits its sales floor evenly between 10-ft. high warehouse racks and 7-ft. gondolas with overhead storage shelves for maximum usage efficiency, according to an in-house publication. Heerensperger indicated that the 30,000 to 40,000-sq.-ft. stores introduced as warehouse outlets in the future will follow the Modesto concept.

He noted that a 33,000-sq.-ft. store in Bellevue, Wash., that was set to open this month as a

warehouse store in a conversion from a standard Pay 'N Pak, and a 35,000-sq.-ft. unit in Eugene, Ore., which is slated to make the transition from conventional store to warehouse next month, duplicate the Modesto format.

"We'll have 35,000, 50,000 and 75,000-sq.-ft. warehouse stores depending on the property," Heerensperger said. "In the 75,000-sq.-ft. stores, we'll have more lumber."

Meanwhile, the first 75,000-sq.-ft. warehouse unit, the first Pay 'N Pak in Honolulu, Hawaii, will open later this spring under the name of Home Improvement Warehouse Outlet.

Lumber will occupy a third of the unit as the company intends to offer treated and untreated wood, Heerensperger said. Because of an insect problem in Hawaii, 80% of the store's lumber inventory will be treated.

"We'll ship untreated lumber and treat it there [in Hawaii]," Heerensperger said. "Because of this, we'll need greater lead

times in terms of delivery and carry a bigger inventory."

Combined with building materials, the lumber and commodity category will occupy about half of the store.

The other half will display Pay 'N Pak's familiar offering of kitchens, baths, plumbing and electricals.

The Hawaiian outlet will feature goods priced lower than at some Pay 'N Pak stores on the mainland.

"We're trying to go with those manufacturers who have a prepaid policy to the islands," Heerensperger said.

The Hawaiian store will follow the basically beige color scheme with earthtone stripes as at other Pay 'N Pak stores, but the traditional striped shirts and smocks of the employees will give way to a beige and orange format in a Hawaiian pattern.

The unit will also have a minimum of 70 employees, 11-ft. high storage racks and concrete floors.

California independent readies bar code system

By Phillip M. Perry
NHCN associate editor

DOWNEY, Calif.—All American Home Center, the \$25 million independent, plans to begin printing its own bar coded price tickets in mid-April as part of a program to track inventory movement by item in order to improve buying patterns and reduce inventory.

"The bar coded tickets will also help us improve the levels of accuracy and efficiency at our point-of-sale (POS) terminals," said Greg Fuller, assistant merchandise manager at the store, which celebrated its 25th anniversary this month.

The human errors that occur when cashiers manually enter numbers onto their cash registers will be avoided, and automatic laser-beam reading of price tickets will allow custom-

ers to move much faster through checkouts, he said.

All American, which expects to receive delivery of two bar code ticket printers early next

remaining 15,000 sku's represent items such as lumber, nails, fasteners, nursery items, sack goods and building supplies to which bar coded tickets

a full turn to the four turns that the store experienced last year.

Additionally, Fuller expects that the accuracy of pricing available with the automatic

The new ticketing system will work in the following manner. As merchandise enters the receiving door, items will be counted manually to insure that quantities match those listed on packing tickets.

An employee at a Wang computer terminal will then enter the quantity as well as the purchase order number for each delivery that has been received. No other information need be entered into the terminal.

This information will then be transmitted over a wire to the main Wang terminal which is located in the front office. The computer processes the information, determines the ticket price by an expected gross margin, and communicates directly with a Printronix ticket printer, which is located in the receiving

(Continued on page 4)

New price ticket printers due next month

month, plans to position them in the receiving area so that merchandise can be ticketed before it moves to the sales floor.

Over the next six months, the store plans to enter 50,000 of its 65,000 stock keeping units onto the software that has been programmed especially for the store and has been built into the printers. The 50,000 sku's represent merchandise making up some 70% of store volume. The

cannot easily be attached. These items will be entered manually at checkouts.

Because the new tickets will allow the store to track movement by sku rather than by the 18 departments for which it has tracked movement in the past, store management will be able to decrease the inventory levels of slower moving items and increase the levels of faster moving ones so that overall turns increase. Fuller expects to add

ticket printing system will increase store gross margin by 1 to 2 percentage points.

Although All American management would not release the total cost for the new system, Fuller did indicate that he expected the system to pay for itself in three to four years.

Fuller plans to monitor the performance of the new bar code scanning system, and make corrections to ticketing, over the course of the first year.



Lumbermen's president Larry Knudson said the Lanoga-owned chain plans to open seven stores in the Seattle, Puget Sound and Portland areas over the next three years to bring Lumbermen's store count to 21.

NHCN photo

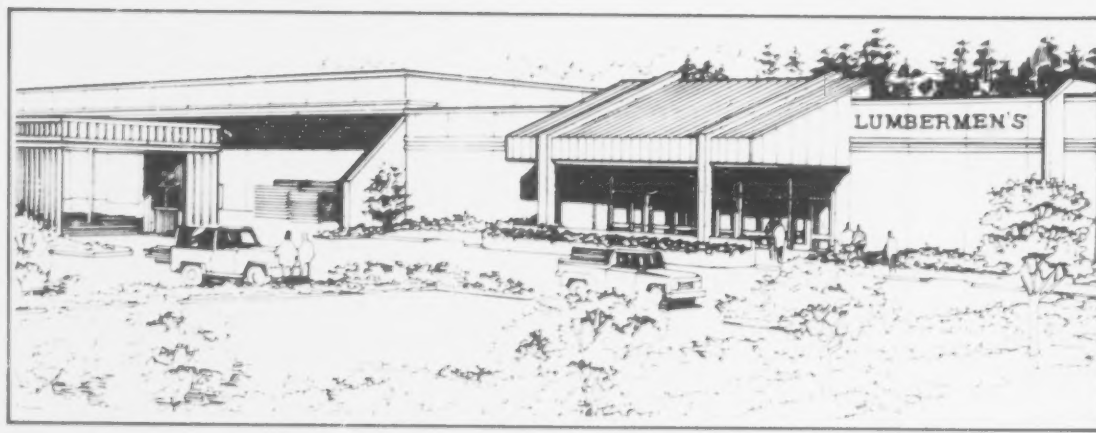
Lumbermen's hastens expansion to dominate in Seattle, Portland

REDMOND, Wash.—Lumbermen's opened its largest store to date here earlier this month, in a new drive to increase its dominance in the Greater Seattle and Portland, Ore., Areas.

The chain plans to open a still larger store in Clackamas, Ore., this June, according to Larry Knudsen, president.

Over the next three years, Lumbermen's expects to open an additional six stores, all in the Greater Seattle, Puget Sound, and Portland Areas. This construction will bring the chain's store count to 21.

Accelerated expansion is a recent phenomenon for Lumbermen's. In February of last year, the chain purchased the eight retail units of Williamette Industries, bringing its total store count to 13 (NHCN, Jan.



Artist's rendering of new Redmond, Wash., Lumbermen's unit—the chain's largest with 20,000 sq. ft. of display space. Courtesy of Lumbermen's

31, 1983).

Established in 1965 with two stores, the chain had long remained a slowly growing, privately held company when its five stores were purchased by Lanoga in March 1982 (NHCN, March 29, 1982).

The new Redmond store, with a display area of 20,000 sq.

ft., plus a 10,000-sq.-ft. warehouse, is larger than traditional Lumbermen's outlets, which have, on the average, from 6,000 to 10,000 sq. ft. of display space plus an equal amount of warehousing.

Previously, the chain's largest store was the Olympia.

(Continued on page 90)

New report forecasts:

\$70.8B home improvement arena in '85; home centers to dominate

NEW YORK—Sales of home improvement products are expected to increase by 140% by the end of the decade, compared to a 94% growth in total retail sales, according to a new study by Frost and Sullivan, the research group based here.

Retail sales of hardware, lumber and building materials, estimated at \$48.2 billion last year, should reach \$70.8 billion next year and \$115.7 billion by 1990, according to the new report, titled Markets and Strategies for Selling Home Improvement Products Through the Retail Channel.

Spending on residential alteration next year is expected to reach \$18 million, which, in constant dollars, will be the first gain since 1979, according to the report.

Frost and Sullivan predicts a 14% gain in alteration and repair spending this year, making it "the best of the past two decades."

Home centers will benefit most from this surge in business compared to the static condition of contractor-oriented outlets and the moderate growth for hardware stores that the study foresees.

"Home centers will sharply increase their domination of the industry," the study notes.

However, it adds, "We do not believe that this will become a concentrated industry. Particularly through the growth of co-

operative buying groups, independents have remained strong and are expected to remain strong in the future."

Using annual reports and NHCN numbers, the study calculates that between 1971 and 1982 home center sales grew 88%, in constant 1966 dollars, while contractor yard sales de-

Home Center market share of lumber and wood product sales is expected to grow substantially in comparison to projected sales gains of hardware stores and contractor-oriented outlets. Story, page 14

clined 33%.

The recently released, two-volume report explores how the strong sales growth it predicts will be manifested by 40 different product categories from dimensional lumber, which will account for 12% of overall growth, to cordage and twine.

Dimensional lumber and six other categories—builders hardware, paint and allied products, electrical supplies, hand tools, millwork and softwood plywood—will account for 54% of the sales growth.

Using percentages, the fastest growing categories are laminated plastics (225%), kitchen cabinets (205.1%) and paneling and hardboard (200.7%). While home centers are expected to gain market share in kitchen

cabinet sales, specialty contractors are expected to continue their domination.

The study also determined that six factors are of overwhelming importance to the buyer when purchasing products in these categories.

The factors, in order of importance to buyers, are: estimated gross profit; pricing to the consumer; inventory turns; gross margin return on investment; actual consumer requests and the buyer's personal judgment.

Less important factors include display materials, packaging, co-op advertising, and manufacturer consumer research.

The study also documents demographic, economic and sociological reasons why strong DIY growth is expected.

The Baby-boom generation is in its family-formation years, expanding the size of that prime DIY customer group. Home prices continue to move upward, fueling homeowner interest in remodeling rather than moving. And the cost of contractor labor is rising about 3% to 4% faster per year than the cost of commodities.

The latter trend shows no sign of abating. Using 1967 as a base year with an index of 100, by 1990 the commodity price index is expected to reach 353.2, while the service index soars to 535.2.

1983's top TV ad spenders

Rank	Chain	Market	Advertising expenditures		% Change
			1983	1982	
1.	Payless Cashways	multimarket	\$5,551,600	\$1,737,200	+ 220
	Payless	multimarket	3,122,800	832,300	+ 275
	Furrow	multimarket	1,802,000	470,500	+ 283
	Lumberjack	Sacramento, Fresno, Calif.	626,800	434,400	+ 44
2.	Sutherland Lumber	multimarket	2,847,700	1,687,400	+ 69
3.	Home Depot	multimarket	2,507,000	903,900	+ 177
4.	Builders Emporium	Los Angeles	2,342,900	2,471,900	- 5
5.	National Lumber	Los Angeles	1,686,400	1,381,500	+ 22
6.	Lowe's Co.	multimarket	1,469,300	943,700	+ 56
7.	Plywood Minnesota	multimarket	1,182,100	1,019,600	+ 16
8.	Scotty's	multimarket	1,169,600	127,800	+ 815
9.	Ole's Home Centers	Los Angeles	923,600	963,700	- 4
10.	Hechinger	multimarket	900,200	983,600	- 8
11.	Mr. Goodbuys	Baltimore, Philadelphia	816,700	569,400	+ 43
12.	Pay 'N Pak	multimarket	799,600	591,400	+ 35
13.	Angel's	Los Angeles, Phoenix	614,000	22,800	+ 2,593
14.	Menard Cashway	multimarket	608,300	498,800	+ 22
15.	Scott's Lumber	multimarket	566,000	23,400	+ 142

Source: Television Bureau of Advertising from Broadcast Advertisers Report data; NHCN chart

Payless paces DIY chains in '83 TV ad expenditures

Angels raises stake 2,593%

NEW YORK—Payless Cashways emerged as the dominant television advertising chain in 1983, having spent nearly one quarter of the \$23.9 million allocated to TV promotions by the top 15 advertisers in the home center industry.

That total represented more than a 72% increase over what

these chains spent on television in 1982, according to the annual list compiled by the Television Bureau of Advertising from Broadcast Advertisers Reports data.

In this year's tabulation, remarkable gains were also shown by Scotty's, The Home Depot and, surprisingly, Angels, while chains like Hechinger Co., Ole's Home Centers and Builders Emporium pulled

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Independent readies bar codes

(Continued from page 3)

area.

The Printronix machine automatically prints tickets that contain the following information: a human-readable price automatically based on cost and desired margin; human-readable sku number and the bar code. These tickets, which come 100 to a sheet, will be pre-printed with the store name.

At the 22 POS terminals, which are DTS registers that All American expected to have delivered to its store in mid-March, cashiers will read the bar codes using a laser gun.

At the end of each day, the main Wang computer will poll each of the POS terminals so that a report of sales by item will be available to store management.

"The new POS terminals will also print word descriptions of each item purchased on each receipt," said Fuller. "This will further our security effort when customers return merchandise later for refunds."

Additionally, the new registers will display an eight-character read-out description of each item passing under the laser gun.

Fuller examined offerings from a dozen ticket printer vendors over the course of four to five months.

"Other systems tried to be all things to all people," said Fuller, when explaining his decision. Other printers were priced higher because they were able to produce some 30 different styles of bar codes, while the Printronix model selected by Fuller produces a more limited variety, which is all that the store required.

All American spent as much time investigating the various styles of bar codes in use as it did looking at printers. Of the 34 to 36 styles in use, Fuller selected one called Interleaved because its "extreme density meant the price tags wouldn't have to be too wide."

The Interleaved style allows a series of bars representing these six digits (each digit requires five bars and spaces) to be printed so it fits easily on a label which measures 1 in. in width.

Fuller rejected the use of OCR (Optical Character Reader) systems because of reports that some retailers had trouble getting accurate and dependable performance from such systems.

Additionally, although Fuller expects the UPC style of bar code will become the dominant one in the home center industry, he rejected using it for the time being because it would require the use of a label wider than that desired by the store.

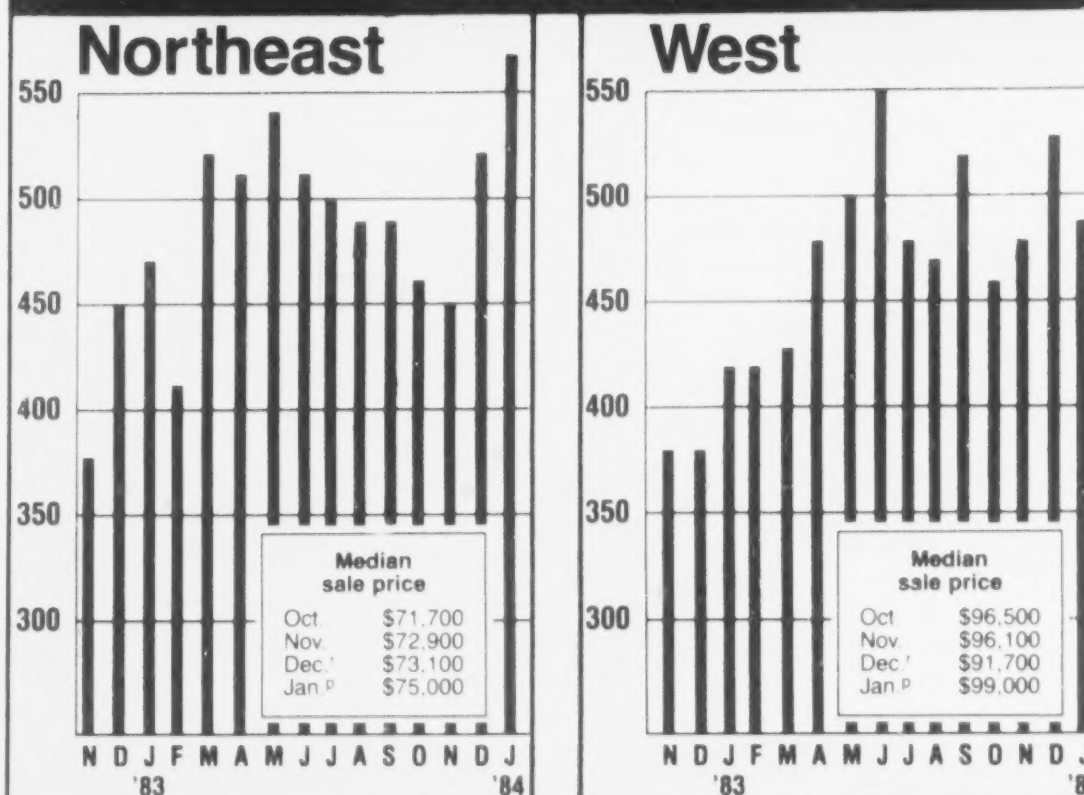
However, Fuller has left his

options open because the Printronix equipment is able to print UPC bar codes. This will allow the store to shift over to that style in the future if it becomes necessary.

By early March, Fuller had narrowed down his choices of vendors for laser-guns to be used by cashiers reading the

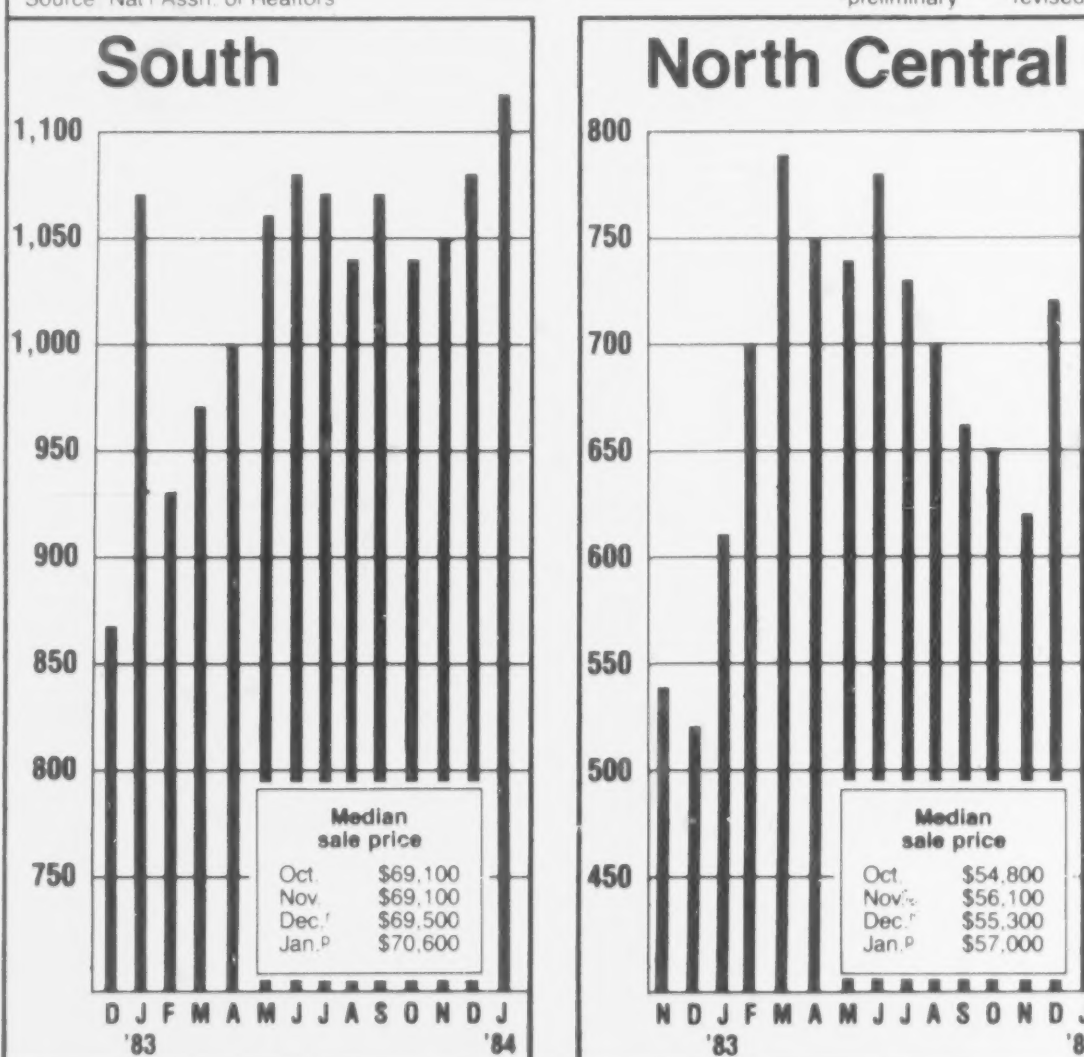
bar codes. "We will be going with one of the newer styles of guns that have the capability of automatically discriminating as to the type of bar code on the ticket," he explained. Thus, if one item passes through the checkout with a bar code other than the All American one, the gun will be able to read it.

Existing single-family home sales (in thousands)



Source: Nat'l Assn. of Realtors

Preliminary revised



Existing home sales in January reached their highest rate since November 1980 as 2.99 million units (seasonally adjusted) changed hands. The North Central, Northeast and South regions all experienced an increase. (Existing home sales leaped 37.2% during 1983. See story, page 72.)

Nationally, the median sales price for single-family homes rose by \$2,000 from December to January, to \$71,900. House prices rose significantly in all four regions.

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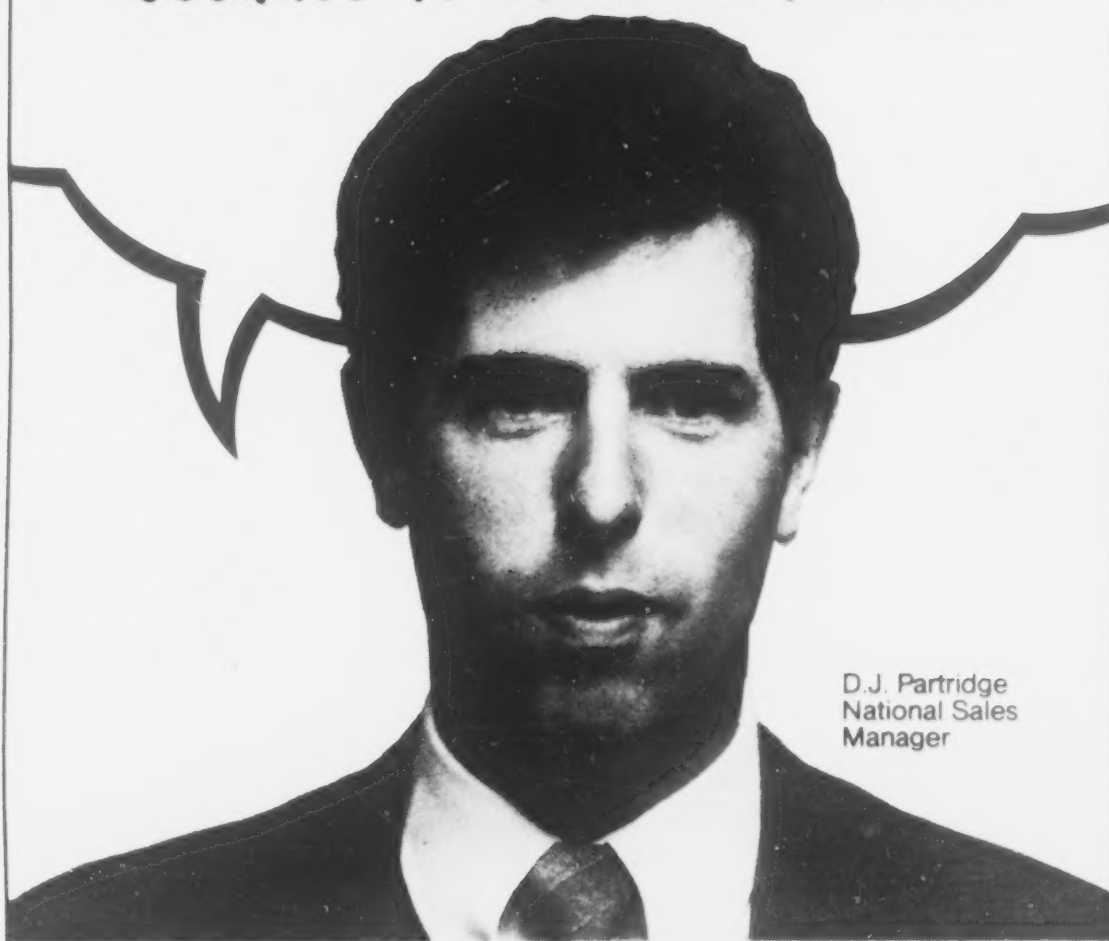
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Corrections

The March 12 story, "BMA takes breather to buttress dealer services," incorrectly listed Builder Marts of America as the nation's fifth-largest buying group. It is actually sixth, behind Lumberman's Merchandising, Wayne, Pa., which had sales last year exceeding \$457 million from 185 dealers operating 525 units. In an accompanying story on BMA's home package program, the company has amended initial figures to show that 650 dealers operating 1,400 stores are serviced by BMA.

The Customs Service estimates that the market for counterfeit goods in 1983 was \$16 billion. The figure was incorrectly stated in a March 12 article.

SALES & EARNINGS							
Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Color Tile	2/29-1 mo.	\$ 24,300	\$ 17,700	37	—	—	—
Lowe's	1/31-4th qtr. 1/31-Year	331,026 1,430,576	250,069 1,034,032	32 38	\$ 9,514 50,615	\$ 5,365 25,131	77 101
Pay 'n Save	1/28-4th qtr. 1/28-Year	362,443 1,220,521	318,751 1,091,287	14 12	10,814 30,104	9,262 19,593	17 54
Scotty's	2/25-4 wks.	34,190	28,665	19	—	—	—
Wolohan Lumber	12/31-4th qtr. 12/31-Year	28,421 112,358	24,964 89,178	14 26	202 1,348	211 638	4 111
* \$ in thousands							
Source: Company reports							

STOCK PRICES				
	As of 3/8	52-week		P/E Ratio
		High	Low	
Boise Cascade (NYSE)	38 3/4	47 1/2	34 1/2	20
Edison Bros. Stores (NYSE) [Handyman, Homer's]	37 1/2	46 1/4	34 1/4	8
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	6 1/2	19 1/2	6 1/4	—
Forest City (AMEX)	A	15 1/2	20 1/2	11
	B	—	20 1/2	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	38 3/4	50 1/2	38 1/4	12
Lowe's (NYSE)	19 3/4	32 1/4	17 1/2	14
Michigan General (AMEX) [Diamond Lumber]	6 3/4	14	4 1/4	—
Pay 'N Pak (NYSE)	13 3/4	24	14 1/4	12
Payless Cashways (NYSE) [Furrow]	18 3/4	34 1/2	18 1/4	15
Scotty's (NYSE)	14 1/2	20	14	13
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	17 3/4	18 1/2	12 1/2	—
Standard Brands Paint (NYSE)	19	28 1/4	18	11

Nasdaq—over-the-counter stocks				
	As of 3/8	52-week		P/E Ratio
		High	Low	
Color Tile	16 1/2	27 1/4	13 1/2	—
Hechinger	A	16	24 1/4	15
	B	16 1/4	26 1/2	14 1/2
The Home Depot	15 1/4	31 1/4	14	—
Pay 'n Save	19 1/2	29 1/4	17 1/2	—

Over-the-counter stocks				
	As of 3/8		52-week	
	Bid	Asked	High (Bid)	Low (Bid)
Erb Lumber	23 1/2	25	25 1/4	15 1/2
Hines Lumber	34 1/2	35 1/2	41 1/2	19
Home Centers of America [units]	20 1/2	23	51 1/2	13 1/4
Homecrafters Warehouse	13 1/4	13 1/2	17 1/2	14
National Lumber	8 3/4	9 1/4	13 1/4	8 1/2
Scott's Seaboard [Scott's]	3 1/4	4	7 1/2	5
Wolohan Lumber	5 1/2	5 1/2	10 1/4	4 1/2

“Polyseamseal paid off two ways for us.”

Richard T. Ryan
Lumber Department Merchandiser
Ernst Home Center



“We were skeptical when we put two Polyseamseal gondolas in all of our stores—but right off the bat the gondolas made it easier for us to sell caulk. Not only did our sales of Polyseamseal increase; we actually increased profits in the overall caulk department. Something we didn’t expect to happen.”

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Company _____
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City _____ State _____ Zip _____
Phone _____

FINANCIAL NEWS

Lowe’s more than doubles net earnings in fiscal ’83

NORTH WILKESBORO, N.C.—Lowe’s more than doubled its net earnings while sales increased 38% during its fiscal year ended Jan. 31, company officials reported.
The 238-store chain saw

earnings increase 101% to \$50.6 million on sales of \$1,430,576,000—the second straight year the company has surpassed \$1 billion in total sales.
Officials attributed the earnings rise, in part, to improved sales to both consumers and contractors. Sales to professionals rose 53% to \$706.7 million while consumer volume increased 27% to \$723.9 million, 50.6% of total sales, compared to year-ago figures.

Rising trend

In fiscal 1982, Lowe’s sales mix was slanted more heavily to the DIYer who claimed 55% of business, but officials pointed out that fiscal 1983 was the third consecutive year in which consumer volume outpaced contractor sales and the first time it has occurred in a new-home-construction boom.

Lowe’s earnings also benefited from continuing cost controls and margin improvement, they noted.

Gross margins in the fourth quarter improved from 25.34% a year ago to 25.77% in the period just ended to give the company its highest quarterly margins ever on a first-in, first-out (FIFO) accounting basis. The gain helped push the annual gross margin up from 25.4% in fiscal 1982 to 25.5% in fiscal 1983, according to company officials.

The chain’s year-end inventories rose 22% to \$205.1 million, caused by increased customer demand and the opening or re-opening of larger stores. Lowe’s added about 200,000 sq. ft. of selling space to existing units last year, to help bring its total retail space to more than 2.5 million sq. ft., officials said.

The company opened five stores and closed two during the year.

Related to expenses for the year, the chain’s last-in, first-out (LIFO) charge totaled \$5.7 million, the highest in three years, compared to \$1.6 million in fiscal 1982. The company also increased its contribution to its employee stock ownership plan from 12 1/2% of eligible compensation in a weaker economy last year to 15% this past year.

Lowe’s officials also pointed out that the only significant product inflation during the year was in basic building materials and there was actual deflation in entertainment, recreation and garden products.

During the fourth quarter, Lowe’s earnings rose 77% to \$9.5 million on a sales gain of 32% to \$331 million as an improving economy, generally lower levels of inflation and new housing starts continued to affect the chain favorably, officials related.

Sales up

Sales to professionals in the quarter rose 35% while those to consumers jumped 29% from the previous year to give the DIY sector 50.15% of the total volume, they said.

During the five-week period ended Jan. 27, sales were up 21% to \$102.3 million.

The January increase in overall sales and a 15% rise in builder volume were the smallest rises for the chain since January 1983 when Lowe’s recorded 16% and 8% gains, respectively, in the categories. However, like this year, the January declines a year ago followed impressive sales increases in the previous months.

Industry PACs map strategy for '84 election

WASHINGTON—With the election year heating up, the home center industry is opening its political action coffers to fund candidates sympathetic to the cause.

While it may be unusual for an individual home center chain to be politically active, parent companies of some of the industry's operators fund political action committees (PACs).

And major trade associations related to housing and the forest products industry also devote their muscle and money to electing candidates whose views they support. (See related story on page 19)

The PACs of companies like Boise Cascade, Union Camp, W. R. Grace and Weyerhaeuser have doled out \$106,100 to Senate and House candidates since the last elections. In the 1982 elections the organizations amassed a campaign warchest of \$500,000.

At the same time, the National Assn. of Home Builders has \$600,000 to spend on this year's political races. Its PAC collected \$1.3 million for the 1982 Congressional races.

PAC information regarding companies and trade associations was obtained by NHCN

from reports on file with the Federal Election Commission.

It is not clear from those records how much of a company's contributions are motivated by the recipient's stand on retailing or home center-related issues. Indeed, since the companies involved also have interests in other businesses, campaign contributions could be prompted by reasons unrelated to the home center industry.

Through December 1983, the PACs of companies with home center interests made 169 contributions to 110 House and Senate candidates, with Republicans receiving 66% of the funds.

While contributions ranged in size from \$100 to \$6,500, Republicans generally received the larger donations. The average payment to G.O.P. candidates was \$794 compared to \$442 for Democrats.

During the last Federal elections home center industry political fund raisers also tilted more heavily toward G.O.P. candidates, with Republicans receiving 74% of the money spent by the PACs.

Just as in the 1982 campaigns, candidates running for

The campaign warchest							
Sponsor	PAC collections for '84 campaign	Funds on hand from 1982 elections	PAC Contributions to:			Admin. costs	Funds available for '84 campaign
			Federal candidates	State candidates	Other industry PACs		
CORPORATIONS							
Boise Cascade	\$ 49,001	\$ 5,406	\$ 12,550	0	\$ 0	\$ 0	\$ 41,857
Cyclops	2,666	1,489	0	0	0	193	3,962
Union Camp	55,967	16,306	27,100	0	0	500	44,673
Weyerhaeuser (Shareholders)	27,550	15,688	22,950	0	0	0	20,288
Weyerhaeuser	12,786	9,686	13,275	0	1,825	151	7,221
W. R. Grace	4,450	21,241	6,750	0	0	0	18,941
TRADE ASSOCIATIONS							
National Lumber & Building Materials Dealers Assn.	0	606	0	0	0	0	606
National Forest Products Assn.	22,383	6,752	23,375	0	250	0	5,410
National Assn. of Home Builders	632,178	122,189	356,257	0	1,000	22,307	374,803
National Assn. of Realtors	1,833,308	355,771	417,545	0	332,510	75,304	1,363,720

Source: Federal Election Commission; NHCN chart

the Senate this year are faring better than those involved in a House race, according to the latest F.E.C. filings.

In fact, 55% of the funds spent by home center industry PACs since the 1982 elections went to Senate candidates, who made up only 27% of the Federal politicians receiving money.

Although political fund raisers often pitch their solicitation

attempts toward the need to elect new pro-business members to Congress, all of the home center industry PAC contributions made to Federal candidates since the 1982 election went to incumbents.

Despite the home center industry's apparent inclination to channel the bulk of its PAC contributions to incumbent Republican Congressmen and Sena-

tors, NHCN's analysis of F.E.C. filings uncovered sharp variations in spending patterns among individual fund raising groups.

Union Camp's PAC raised more than \$55,000 since the 1982 elections and has already spent \$27,000 on Federal candidates (63% on Republicans).

Based on the latest F.E.C. figures, during 1983 Union Camp's PAC contributed to more candidates, 42, than any other home center industry political fund raising group.

Weyerhaeuser Shareholders' PAC (one of two political fund raising groups operated by the chain) followed closely behind, making 39 contributions to congressional campaigns last year.

Although the PAC spent \$22,950 since the last election, in mid-February it still had over \$20,000 to pump into Federal and state races.

In contrast to most of the home center industry PACs, which spread their money among a broad cross-section of candidates, Boise Cascade has placed its PAC funds in a few key races.

According to the most recent F.E.C. filings, Boise Cascade's PAC has contributed to eight candidates—accounting for only 25% of the \$49,000 it raised since the 1982 elections.

Senate candidates received 75% of those contributions, with Sen. Daniel Jack Evans (R-Wash.) getting the largest donation (\$5,000).

That contribution however, was not for the 1984 elections, but rather for a special election held last year in Washington state due to the death of former Senator Henry "Scoop" Jackson.

Since winning that election, Evans has been chosen to sit on the Senate Energy and Natural Resources Committee.

Weyerhaeuser's PAC also contributed heavily to Evans' campaign giving the Senator \$6,500 last fall.

Overall the chain's political fund raisers have channeled over 50% of the PACs contributions to candidates running in Western states.

In addition, Weyerhaeuser's PAC pumped \$1,825 into an allied industry's fund-raising organization—the National Forest Product Association's PAC (see related story).

Surprisingly, given Peter Grace's highly publicized support of President Reagan, political fund raisers at W. R. Grace channeled 64% of their PAC contributions (\$6,750) to Democratic candidates in the last year.

An earlier NHCN PAC analysis of contributions made during the 1982 campaign showed that W. R. Grace was also the only home center industry PAC to favor Democrats in the last election.

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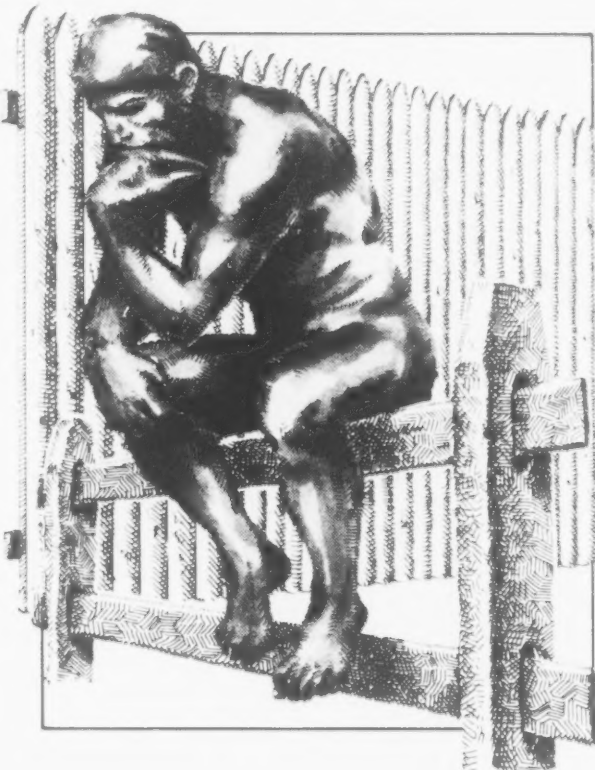
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LUMBER REPORT

Home improvement ind. study carries good news for retailers

NEW YORK—Good news and bad news regarding lumber and wood product sales is contained in a new study of the home improvement industry by Frost and Sullivan, the research company based here.

For home centers, the news is almost all good.

The report, called Markets and Strategies for Selling Home Improvement Products Through the Retail Channel, notes that overall shipment of lumber and wood products remain subject to cyclical swings and should show little long-term growth, when viewed in constant dollars.

However, the home center market share of lumber and wood product sales is expected to grow substantially in comparison to the projected sales gains for hardware stores and contractor-oriented outlets.

The report divides lumber and wood products into five categories: dimensional lumber, millwork, softwood plywood, kitchen cabinets and paneling.

Kitchen cabinets are the only strong exception to the pattern of flat overall product growth but expanding home center market share. Substantial kitchen cabinet sales growth is expected, but specialty outlets should receive the lion's share of retail business, according to the report.

Overall, in constant 1967 dollars, total shipments of lumber and wood products, estimated at \$6.8 billion in 1982, are forecast to reach \$8.4 billion next year and \$9.3 billion in 1990. The increase is less sharp than first appears, however, because shipments had already reached \$7.6 billion in 1980, before a recession-related dip.

That year home centers accounted for \$2.1 billion in retail sales or 16.7% of the market, while contractor-oriented outlets recorded sales of \$2.4 billion, equivalent to 19.3% of the market, according to Frost and Sullivan figures, which were compiled from Census data and

Frost and Sullivan numbers.

By 1990, the report forecasts, home center sales of lumber and wood products will reach \$4.5 billion, or 29.1% of the market. In contrast, sales by contractor-oriented outlets will creep up to only \$2.7 billion, the equivalent of 17.6% of the market.

Hardware stores account for a negligible amount of total lumber and wood product sales and that situation is expected to continue. Hardware store sales amounted to a 0.2% share in 1980, which is expected to reach a 0.3% share by next year and remain constant through

the rest of the decade.

Overall, then, home centers are expected to dominate retail sales of lumber and wood products for the rest of the decade. In fact, by next year Frost and Sullivan expects the home center share of market to reach 22.8%, while the contractor-oriented outlets should achieve the 17.6% market share that is expected to remain static through 1990.

On a product-by-product basis, dimensional lumber is the largest in the dollar value of merchandise shipped. In 1980 total shipments in the United

(Continued on page 87)

FUTURES

Two weeks ended March 1, 1984

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; \$ per 1,000 bd. ft.							
March '84	185.20	177.00	183.00	182.50	1,407	240.50	170.60
May	200.50	190.10	197.40	194.00	3,579	245.50	182.00
July	206.60	196.10	205.00	197.80	1,625	252.50	190.30
Sept.	208.00	198.70	206.50	199.70	844	236.00	193.30
Nov.	206.00	198.20	204.10	198.60	775	228.80	196.00
Jan. '85	209.00	205.00	209.00	205.90	112	221.30	202.30
March	212.50	209.80	212.20	211.50	42	220.00	209.30

Total Contract Vol. (Through 3/1): 25,136 Previous Two Weeks: 22,836
Total Open Interest (As of 3/1): 8,444 Previous Week: 8,401
Cash Price: \$182.28 Previous Week: \$186.20 Year Ago: \$174.44

PLYWOOD (CBT)—76,032 sq. ft. 1/2-in. ext. 4/5-ply; \$ per 1,000 sq. ft.

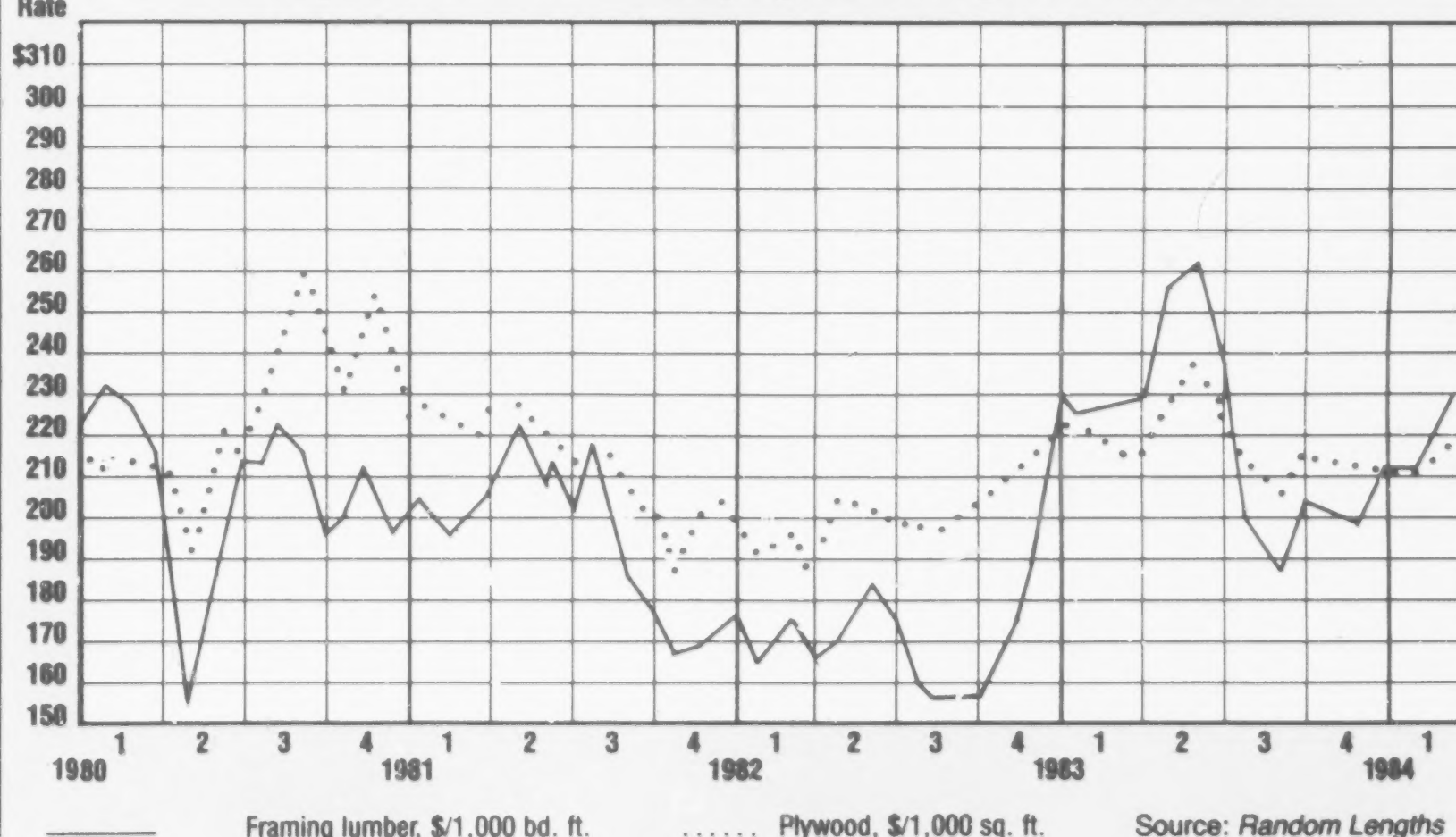
March '84	198.40	191.00	197.30	198.00	55	225.00	183.00
May	203.00	195.80	201.30	201.50	184	208.50	187.50
July	206.00	201.00	204.30	204.00	60	210.00	190.50
Sept.	208.00	204.00	206.50	206.00	11	212.50	199.00

Total Contract Vol. (Through 3/1): 644 Previous Two Weeks: 732
Total Open Interest (As of 3/1): 310 Previous Week: 426
Cash Price: \$196.00 Previous Week: \$196.00 Year Ago: \$190.12

COMMODITY RESEARCH BUREAU INDEX: This Week — Previous Week — Year Ago —

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, March 1.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Composite lumber/plywood price profile



The framing lumber composite picked up in February based on orders from: retailers gearing up for the spring season. The composite reached \$229 per thousand board foot compared with \$213 in January and \$212 in December. The framing lumber average for February 1983 was \$223 per thousand board foot.

The plywood composite has been flat, reaching \$217 per thousand square foot in February compared with \$212 in January and \$216 in December. The plywood composite for February 1983 was \$219.

The framing and plywood composite numbers are based, respectively, on Random Length's weighted averages of nine key lumber and seven key plywood items.

Aggressive trade PAC's coffers full for '84

WASHINGTON—Some of the most active home center industry-related Political Action Committees (PACs) are sponsored by trade associations like the National Home Builders Assn., the National Assn. of Realtors, the National Forest Products Assn. and the National Lumber and Building Material Dealers Assn.

An aggressive political fund-raising drive engineered by the National Association of Home Builders has generated a campaign war chest of over \$600,000 for the upcoming elections. The PAC collected \$1,318,750 for the 1982 Congressional races, according to Federal Election Commission files.

NHCN's survey of the latest PAC reports on file at the Federal Election Commission found that the association's political fund raisers made 279 contributions to Congressional candidates since the last election.

The amount of these contributions varied greatly, ranging from \$200 to \$10,000 in the case of some key Senate members.

The National Association of Realtors is also channeling large (over \$3,000) contributions to candidates on critical

Where the campaign dollars are going				
PAC sponsor	Amount of contributions		Number of contributions	
	Democrats	Republicans	Democrats	Republicans
CORPORATIONS				
Boise Cascade	\$ 1,250	\$ 11,300	2	6
Cyclops	0	0	0	0
Union Camp	10,000	17,100	24	18
Weyerhaeuser Co. (Shareholders)	7,650	15,300	17	22
W. R. Grace	4,300	2,450	14	9
TRADE ASSOCIATIONS				
National Lumber & Building Materials Dealers Assn.	0	0	0	0
National Forest Products Assn.	8,425	15,050	13	27
National Assn. of Home Builders	195,150	161,107	154	125
National Assn. of Realtors	200,382	217,163	149	104

Source: Federal Election Commission; NHCN chart

Congressional committees through its PAC.

• Sen. Chic Hecht (R-Nev.), member of the financial institutions and federal credit program subcommittees, received \$10,000 from the Home Builders PAC and \$5,000 from political fund raisers at the realtors' association in 1983.

It is not surprising that other top recipients of PAC funds from the two associations also were members of committees intimately involved in deter-

mining the nation's interest rates—a critical concern of the housing industry.

Specifically Sen. Rudy Boschwitz (R-Minn.), who sits on the budget committee received \$4,500 from both association PACs while Rep. Jim Cooper (D-Tenn.), a member of the domestic monetary policy and financial institutions subcommittees accepted \$3,250 from each.

In addition, house budget processes subcommittee mem-

ber Phil Gramm (R-Tex.) and Rep. George Wortley (R-N.Y.), who sits on the banking finance and urban affairs committee, received a total of \$8,000 and \$6,500, respectively, from the two PACs.

Despite the inclination of both organizations to give large contributions to members of Congressional committees that deal with financial matters, NHCN's analysis of F.E.C. filings found sharp differences in spending patterns among the

two fund-raising groups.

The home builders PAC contributed 55% of the \$356,257 it has spent on Federal candidates since the 1982 elections on Democrats, while political fund raisers at the Realtors Assoc., which poured \$417,545 into the 1984 campaign, earmarked 62% of those funds for G.O.P. politicians.

The National Forest Products Assn.'s political fund raisers appear to be tilting toward the G.O.P. with 67% of the contributions made since 1982 going toward Republican candidates.

The National Lumber and Building Materials Dealers Assn. has not raised any funds or given to any politician since the 1982 elections.

Unlike the Home Builders PAC, political fund raisers at the National Association of Realtors channeled large sums (\$332,510) to individual state PACs in 1983.

Although the realtors' PAC has spent over \$750,000 since the 1982 elections, it still has more than a million dollars left in its campaign war chest. That is probably just the tip of the iceberg as the PAC spent \$3,144,475 on the last election.

Four candidates get lion's share of DIY dollars

WASHINGTON—National Home Center News' survey of the latest Federal Election Commission filings found that four Senate candidates received 27% of the total contributions (\$106,000) made by home center industry Political Action Committees since the 1982 elections.

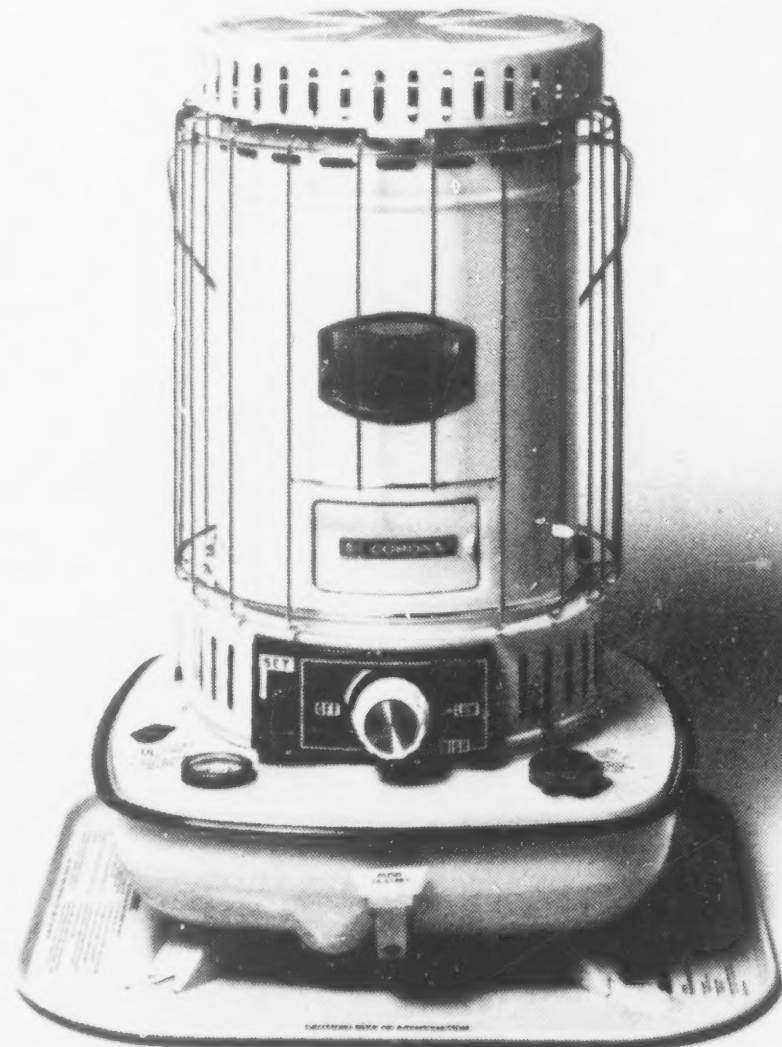
To date the top recipients of home center industry PAC funds are:

• Sen. Daniel Evans (R-Wash.), who was elected last November to fill the vacancy created by the death of Sen. Henry "Scoop" Jackson, and received \$13,500 from home center industry PACs last year. Political fund-raisers at Weyerhaeuser, Boise Cascade, Union Camp and the National Forest Products Assn. (NFPA) supported Evans in that race giving him \$6,500, \$5,000 \$1,000 and \$1,000 respectively. Currently, Evans sits on the Senate energy and natural resources committee.

• Sen. James A. McClure (R-Idaho), the head of several committees which deal with critical issues impacting on the home center industry, received \$5,500 from industry PACs in 1983. Individual PAC contributions ranged in size from \$500 (Weyerhaeuser- Shareholders) to \$3,500 (Boise Cascade) with Union Camp pumping \$1,000 and the NFPA contributing \$500 to McClure's campaign. McClure is chairman of the Senate energy and natural resources committee.

• Sen. Howell Heflin (D-Ala.), the only Democrat receiving over \$2,500 from home center industry PACs, sits on the Senate agriculture and forestry committee as well as the commerce science and transportation committee. Three home center industry PACs (NFPA, Weyerhaeuser and Union Camp) pumped \$5,200 into Heflin's re-election campaign.

• Sen. Pete Domenici (R-N.M.) chairman of the powerful Senate budget committee, received a total of \$4,000 from PACs formed by the NFPA, Weyerhaeuser (Shareholders), and Union Camp since the last elections.



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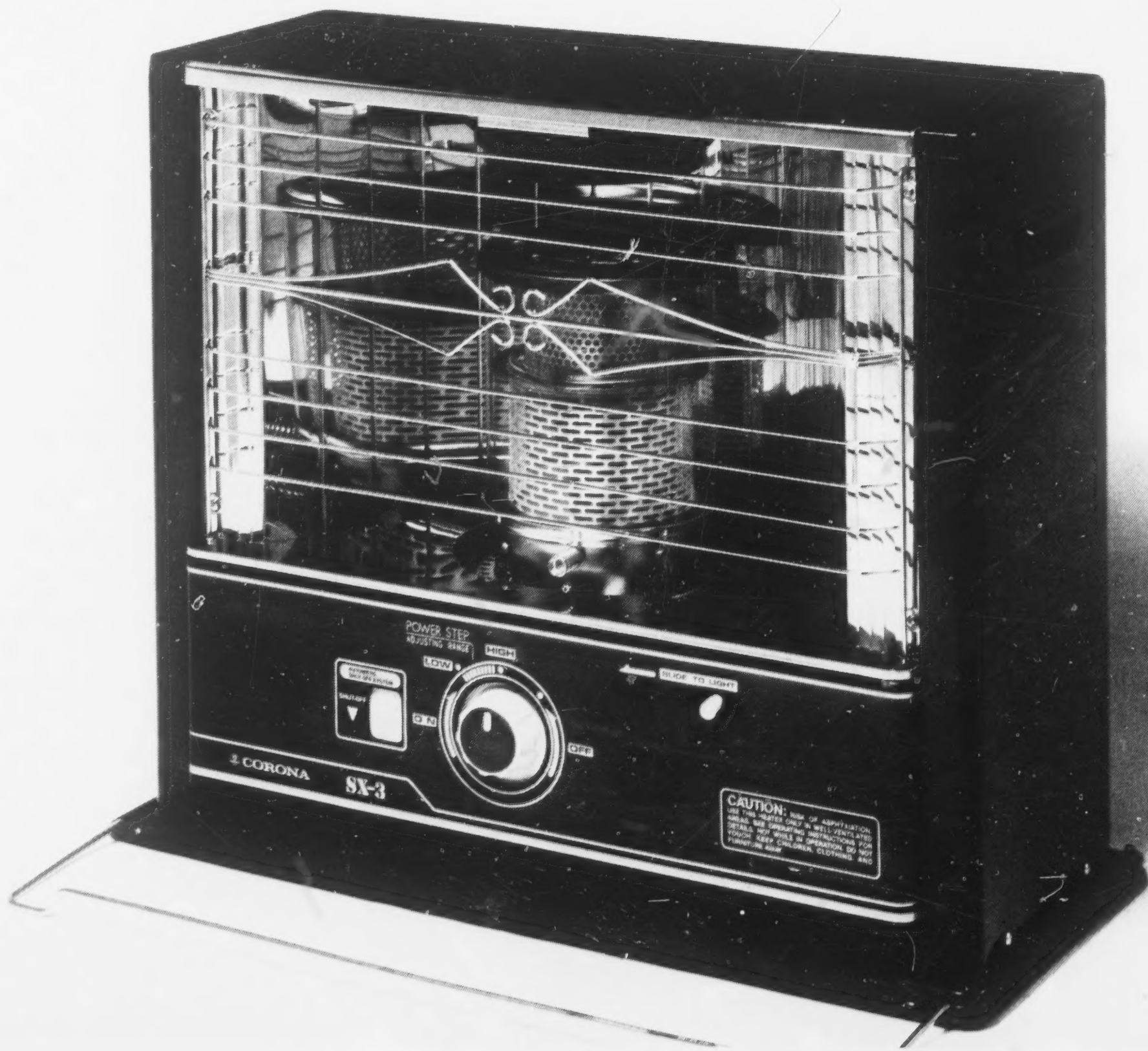
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Study: Retail adhesive sales outpaced industry

NATIONAL REPORT— Retail sales of adhesives and sealants to consumers and contractors have increased substantially faster in the period since 1967 than have sales of the products made directly to manufacturers and home builders, according to a new study from Predicasts, the Cleveland-based business information and research firm.

However, the study concluded that retail sales of the products will begin leveling off over the next decade.

For the purpose of the study, consumer and contractor purchases at retail outlets were lumped together.

Entitled "U.S. Adhesives and Sealant Markets," the study's conclusions were based on surveys of leading manufacturers, retailers and distributors, as well as reports in Government and trade publications.

The study concluded that retail sales of home and auto adhesives and sealants rose 9.4% annually from 1967 to 1982, compared with a 3% annual rate of increase during the same period for the adhesives and sealants industry in its entirety.

Retail sales for the products should increase by only 2.5% annually from 1982 to 1995, while sales of adhesives and sealants as a whole should increase at a 3.7% annual rate for the same period, according to the study.

The annual rates of increases included in the study were based on movement of adhesives and sealants by weight, rather than by a study of the dollar amounts of products sold.

"The lower rate of increase for home and auto adhesives and sealants forecast for the period 1982 to 1995 by the study reflects a saturation in that market," said Kevin Swift, chief economist and director of research services at Predicasts.

Swift added that the category's 9.4% annual rate of increase since 1967 was high partly because a number of higher technology adhesives, first introduced in the industrial sector, were filtering down into the consumer area, sparking sales.

As one example, during that period many do-it-yourselfers began using adhesives instead of nails in home projects such as paneling installations.

However, Swift noted that although the new, high technology adhesives and sealants would likely be introduced into the consumer market over the next 10 years, their purpose would more often be to offer better performance rather than new uses.

Swift attributed the increase in total industry sales of adhesives and sealants expected over the next 10 years to a rebound in the housing market and an expected increase in demand for adhesives by package manufacturers. For the most part, new home builders and package manufacturers purchase their adhesives and sealants directly from vendors rather than through retail stores, he noted.

According to the report, total American consumption of all adhesives and sealants is expected to rise by some 60% during the period from 1982 to 1995.

In 1982, about 9 billion lb. of the products were purchased by end users, either through retail stores or directly from vendors. That figure is expected to rise to 15 billion lb. over the

next decade.

At the same time, the increase in demand is expected to be accompanied by a trend toward more expensive, top performance adhesive and sealants. As a result, the actual dollar amount of product sold is expected to rise at a much faster rate—some 400% in current dollars—during the same period. An industry that represented \$6.5 billion worth of sales, in manufacturer's dollars during 1982, should grow to \$25 billion by 1995.

Retail sales of adhesives destined for use in home construction, maintenance and remodeling, totaled some 60 million lb. in 1982, or about \$190 million in manufacturers' dollars. This figure is expected to grow to 85 million lb. by 1995.

Retail sales of sealants, destined for the same uses, totaled some 190 million lb. in 1982, pegged at a dollar amount of \$225 million. Annual movement

Retail sales of adhesives and sealants for home and auto use (million pounds)

Item	1967	1972	1977	1982	1987 ^a	1995 ^a
Home use adhesives	40	49	55	60	74	85
PVAc (white glues)	15	20	22	24	32	37
Rubber cements	6	8	10	11	15	15
Starch-based adhesives	6	7	6	4	3	2
Epoxies	2	3	4	5	6	7
Dextrin-based adhesives	3	3	3	2	2	2
Others	8	8	10	14	16	22
Auto use adhesives	15	22	30	30	30	50
TOTAL ADHESIVES	55	71	85	90	104	135
Home use sealants	40	90	180	190	195	230
Auto use sealants	20	40	65	160	185	240
TOTAL SEALANTS	60	130	245	350	380	470

^a—projected

Source: Predicasts, NHCN chart

Retail sales of adhesives and sealants for home and auto use totaled some 440 million lb. in 1982.

of this category is expected to rise to 230 million lb. by 1995.

Retail sales of adhesives used

by purchasers for automobile repair was 30 million lb. in 1982, totaling about \$60 million in

manufacturers' dollars, and is expected to rise to 50 million lb. annually by 1995.

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U.S. existing home sales leap 37.2% in '83

NATIONAL REPORT—For the fourth quarter existing home sales were up in all states and the District of Columbia compared with the same period for 1982, according to the National Assn. of Realtors.

Eighteen states recorded increases of over 30% in their seasonally adjusted annual rates of home resale activity. New Hampshire had the highest increase, up 88.2% over the last quarter of 1982 and Georgia was up 78.4%.

Alaska, Connecticut, Oregon and Hawaii all recorded home resale increases of over 50% compared with the fourth quarter of 1982.

For the whole of 1983 existing home sales totaled 2.909 million units, an increase of 37.2% over 1982's figures of 2.120 million.

The only state to experience a decline in 1983 was Arizona with a slight drop of 0.5%. The highest increases in existing home sales over the year were found in New Hampshire, up 112.7%, and Hawaii, up 90.2%. Seven states had more than a 50% increase over the previous year.

"Lower rates on fixed-rate mortgages and greater consumer acceptance of adjustable-rate mortgages, which carry initial interest rates 1% to 2% lower than their fixed-rate counterparts helped many homebuyers to bridge the affordability gap over the last year," said Dr. Jack Carlson executive vp and chief economist for the Association.

Trend toward smaller homes sees reversal

WASHINGTON—Last year's housing boom marked the reversal of a trend toward smaller single-family homes, according to the Commerce Department's *U.S. Industrial Outlook* 1984.

Between 1978 and 1982 the median size of single-unit houses fell from 1,655 sq. ft. to 1,520 sq. ft., while the proportion of new homes without garages dropped from 27% to 18%.

Similarly, the percentage of new homes with no more than two bedrooms doubled from 12% to 24%, while the share of new single-unit dwellings with only one bathroom climbed from 15% to 22%.

Although Government researchers have not yet issued specific figures on the size of new homes built last year, Moody disclosed that "the average size of new houses increased in 1983 as interest rates declined."

This shift back to larger houses is likely to be only temporary, however, the report concluded.

States	Yearly analysis of home sales*—1980-83 (thousands of units)					Quarterly analysis of home sales* (thousands of units)					
	1980	1981	1982	1983*	% change '82-'83	1982:4	1983:1	1983:2	1983:3	1983:4*	% change 1982:4-1983:4
Alabama	45.2	29.3	31.9	42.2	32.3	33.4	32.3	43.0	45.7	46.4	38.9
Alaska	7.6	6.0	4.3	6.1	41.9	4.3	4.6	6.0	6.6	7.3	69.8
Arizona	51.7	50.6	37.9	37.7	- 0.5	34.9	31.0	38.9	40.2	40.2	15.2
Arkansas	44.9	38.0	31.3	42.3	35.1	32.0	37.3	44.0	47.3	39.5	23.4
California	465.2	333.0	233.8	343.2	46.8	259.4	265.9	355.3	381.1	370.2	42.7
Colorado	64.0	51.3	38.4	46.3	20.6	37.6	38.6	46.7	57.9	39.4	4.8
Connecticut	29.1	26.8	21.3	36.5	71.4	20.5	26.3	38.3	43.4	32.3	57.6
Delaware	10.2	8.4	7.3	9.2	26.0	8.6	6.6	10.0	9.2	11.23	30.2
Dist. of Columbia	7.5	6.2	5.5	7.4	34.5	7.3	6.6	8.0	7.1	7.9	8.2
Florida	178.3	149.9	100.3	126.6	26.2	94.7	116.2	129.4	133.8	125.0	32.0
Georgia	66.4	54.6	35.8	50.8	41.9	30.5	47.7	51.5	49.6	54.4	78.4
Hawaii	6.9	4.7	4.1	7.8	90.2	5.0	7.1	10.5	6.0	7.6	52.0
Idaho	15.5	11.3	9.3	11.3	21.5	9.0	8.4	11.5	14.6	10.0	11.1
Illinois	134.3	103.1	80.0	114.8	43.5	96.2	118.2	112.4	118.2	110.4	14.8
Indiana	76.6	53.6	41.4	56.4	36.2	38.3	54.3	63.7	60.6	45.9	19.8
Iowa	49.3	39.7	28.6	38.7	35.3	31.1	31.9	45.3	40.8	34.4	10.6
Kansas	52.1	41.9	33.4	48.9	46.4	31.6	51.3	59.4	49.0	34.6	9.5
Kentucky	42.9	37.1	37.1	56.0	50.9	42.6	44.0	65.4	59.5	51.5	21.6
Louisiana	50.6	40.6	45.7	63.2	38.3	64.7	50.8	71.4	59.1	73.5	13.6
Maine	14.0	13.6	14.8	20.3	37.2	14.6	14.6	23.3	23.8	17.2	17.8
Maryland	55.5	47.1	43.8	60.2	37.4	62.7	52.4	61.2	60.5	66.6	6.2
Massachusetts	48.9	42.8	42.5	58.6	37.9	48.4	59.4	55.6	68.8	52.4	8.3
Michigan	148.9	120.1	94.8	133.7	41.0	108.3	130.4	147.4	124.7	132.3	22.2
Minnesota	68.1	58.2	44.3	57.9	30.7	52.6	58.1	67.7	50.6	53.6	1.9
Mississippi	26.8	22.9	23.0	32.4	40.9	30.5	26.1	35.5	31.2	37.0	21.3
Missouri	72.9	59.9	48.4	71.1	46.9	41.1	86.4	71.1	80.3	48.8	18.7
Montana	13.1	11.4	9.3	12.3	32.3	9.4	9.7	14.1	13.7	10.7	13.8
Nebraska	22.1	18.4	16.6	24.3	46.4	22.5	15.1	26.5	23.4	29.3	30.2
Nevada	13.1	11.2	8.2	9.9	20.7	7.1	8.2	11.7	10.1	7.5	5.6
New Hampshire	11.7	10.2	7.9	16.8	112.7	5.1	13.6	25.5	16.7	9.6	88.2
New Jersey	82.2	69.0	73.0	109.1	49.5	82.7	94.1	110.3	119.2	107.6	30.1
New Mexico	22.0	22.8	15.9	17.9	12.6	16.3	12.9	18.2	21.3	18.5	13.5
New York	125.5	120.7	120.9	145.6	20.4	122.9	121.4	151.8	167.0	129.0	5.0
North Carolina	79.1	69.6	70.0	92.3	31.9	83.7	85.4	89.2	92.0	102.5	22.5
North Dakota	8.8	8.5	6.4	9.6	50.0	7.1	8.2	10.8	10.0	8.7	22.5
Ohio	144.3	102.8	83.0	125.3	51.0	91.3	108.3	133.5	131.6	121.9	33.5
Oklahoma	72.1	58.6	52.1	64.2	23.2	55.7	59.6	61.1	71.0	62.7	12.6
Oregon	48.5	35.9	24.4	33.9	38.9	24.6	48.7	20.8	31.2	37.7	53.3
Pennsylvania	129.8	103.4	106.7	154.5	44.8	133.0	133.1	166.4	156.9	153.7	15.6
Rhode Island	6.4	6.0	6.2	8.5	37.1	6.1	8.1	9.8	7.1	8.7	42.6
South Carolina	36.9	31.2	30.2	39.4	30.5	34.0	32.0	38.1	41.4	46.2	35.9
South Dakota	10.9	9.5	8.6	13.4	55.8	10.7	9.8	14.4	14.3	13.7	28.0
Tennessee	57.1	49.9	46.8	70.1	49.8	53.7	65.3	73.3	70.1	70.9	32.0
Texas	250.6	221.0	165.3	187.5	13.4	140.9	184.0	203.8	201.0	155.7	10.5
Utah	22.0	16.4	12.5	14.7	17.6	12.1	10.4	15.7	17.9	13.7	13.2
Vermont	7.1	6.2	6.0	7.2	20.0	5.3	5.4	7.1	7.6	7.8	47.2
Virginia	92.1	77.4	71.3	99.5	39.6	96.5	93.7	103.6	93.7	110.3	14.3
Washington	66.7	49.8	33.7	45.4	34.7	34.1	38.4	53.2	48.0	39.3	15.2
West Virginia	30.6	21.8	21.9	31.6	44.3	24.7	28.6	36.6	27.7	34.4	39.3
Wisconsin	60.4	49.4	34.2	48.1	40.6	34.5	41.3	57.6	48.7	42.0	21.7
Wyoming	7.7	6.2	5.1	15.5	7.8	5.0	4.9	5.8	6.0	5.1	2.0
U.S.	3,159.0	2,572.0	2,120.0	2,909.0	37.2	2,270.0	2,750.0	3,040.0	2,990.0	2,880.0	26.9

*Single-Family, apartment, condos and co-ops
*preliminary
Source: National Assn. of Realtors

In 1983, 18 states recorded increases of over 30% in their seasonally adjusted annual rates of home resale activity. New Hampshire

led the way with the highest increase—112%—over 1982 home sales.

Commerce Dept. warns:

Interest rates could level housing recovery

WASHINGTON—While the White House continues to issue optimistic forecasts for the nation's overall economic recovery, top Commerce Department experts in residential construction suspect that the current home building boom may sputter out early in 1984.

If those experts are right and housing starts level off this year, the '84 slump will disrupt the cyclical recovery pattern for the home building industry that dates back to the 1950's.

During the past 30 years,

after each steep downturn in housing, starts moved upward for at least two years, giving contractors as well as manufacturers and retailers of building materials an opportunity to recoup losses suffered during the off-years.

Although that pattern of multi-year recovery took place following each of the other five declines in residential housing construction since the mid-1950's, "it does not appear . . . that credit market conditions will permit much, if any, in-

crease to occur in 1984 after the unusually large expansion in 1983," Federal construction industry forecasters said in the Commerce Department's new *U.S. Industrial Outlook* 1984.

The Commerce Department predicts total housing starts of 1.6 million to 1.7 million this year, with a decline in multi-family starts.

The department's projections for the construction industry are "based on the assumption that average interest rates will be about the same in 1984

as in 1983," and that "inflation will remain low and that private demand for credit will be restrained because the economy will still have unused productive capacity," Government economic forecasters explained.

But at the same time, they acknowledged that "the prospect of large Federal budget deficits presents the danger that rising interest rates may choke off further growth in construction earlier in this recovery than in past ones."

(Continued on page 73)

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Commerce Dept. warns: Interest rates threatening housing rebound

(Continued from page 72)

Turning specifically to private residential construction, the new report notes that the United States market appears ripe demographically for several years of sustained growth.

In discussing the "pent-up" demand for new housing that ignited the 1983 upsurge in housing starts, Commerce Department residential construction specialist Gerald Moody noted that "the number of households grew at a slower rate in 1982-83 than at any other time in the past two decades, even though the number of persons in the prime home-buying ages of 25 to 44 continued to grow at an annual rate of about two million."

But the key factor working against these demographic pressures is the spectre of continued high mortgage rates.

"Even after declining in 1982-83, mortgage interest rates remained much higher than they were prior to 1980, both in nominal terms and in comparison with the inflation rate," Moody said. "Because of high interest rates, housing starts are not likely to reach new high levels during this economic cycle, even though there is substantial pent-up demand."

Significantly, Moody and other Commerce Department

'Because of high interest rates, housing starts are not likely to reach new high levels during this economic cycle, even though there is substantial pent-up demand.'

—Gerald Moody,
Commerce Dept.

construction industry market experts contend that mortgage rates are remaining at such high levels at least partially because "deregulation" of the banking community has increased competition for "loanable" funds.

"Prior to deregulation, a large part of the funds lent to homebuyers consisted of deposits in passbook accounts subject to interest rate ceilings," they noted. "Now, lenders to homebuyers must compete with other users of funds by paying market rates of interest."

Although Government forecasters contend that it is "reasonable to believe that flexible-rate mortgages will help somewhat to stabilize housing demand," they acknowledge that there is still a great deal of public resistance to these adjustable interest rate loans.

Although more than 40% of the conventional home mortgages closed in the summer of 1982 had adjustable rates, this proportion dropped to 30% the following summer as fixed interest loan rates declined.

This drop in public acceptance of variable rate loans "appears to reflect a continuing consumer preference for fixed-rate mortgages and, possibly, growing concern that interest rates may be higher in the next few years," Moody concluded.

"If, as expected, interest rates on fixed-rate conventional mortgages remain in the 12% to 14% range, the number of single-unit housing structures

(Continued on page 74)

Median sales price of existing single-family homes for metropolitan areas

(not seasonally adjusted; in thousands of dollars)

	Years			Quarters					Prices: % change 4th qtr. 1982-83
	1981	1982	1983	1982 4th	1st	2nd	3rd	4th*	
Albany	\$ 46.1	\$ 47.1	\$ 49.2	\$ 47.5	\$ 46.5	\$ 49.0	\$ 50.6	\$ 50.3	5.9%
Atlanta	NA	55.3	63.0	55.5	57.5	58.4	67.1	65.8	18.6
Birmingham	59.2	60.6	62.8	60.6	59.8	62.9	65.4	61.4	1.3
Boston	NA	80.2	82.6	77.3	78.6	80.1	85.4	84.9	9.8
Chicago	70.3	73.0	76.4	74.0	76.0	78.8	78.7	75.9	2.6
Columbus	55.0	57.8	59.4	57.9	57.9	60.4	59.6	58.8	1.6
Dallas/Fort Worth	67.3	74.0	76.3	71.3	73.2	75.9	78.8	78.3	9.8
Denver	NA	76.2	78.3	75.9	76.2	78.2	79.6	78.2	3.0
Detroit	48.5	47.5	47.5	46.6	46.8	48.3	47.1	47.8	2.6
Fort Lauderdale	72.8	74.2	73.9	72.7	72.9	74.5	75.5	72.3	- 0.6
Houston	72.7	77.2	79.9	78.0	76.8	80.3	83.0	80.0	2.6
Indianapolis	49.7	50.6	52.9	49.5	52.0	54.2	53.7	49.8	0.6
Kansas City	46.1	58.1	58.8	56.8	59.0	59.9	59.2	56.4	- 0.7
Los Angeles*	111.4	113.4	112.7	110.4	111.9	112.7	114.3	111.5	1.0
Memphis	55.9	59.3	61.6	57.4	59.6	60.0	64.1	61.7	7.5
Milwaukee	64.5	65.8	68.0	65.6	66.1	68.0	70.5	66.7	1.7
Minneapolis/St. Paul	69.7	72.4	73.6	72.2	72.5	74.3	73.7	73.7	2.1
New York Metro**	73.8	70.5	88.9	76.5	83.1	87.1	93.0	94.4	23.4
Oklahoma City	54.1	58.4	61.6	59.2	60.4	60.8	62.4	62.9	6.3
Philadelphia	59.2	58.1	59.6	58.3	59.1	59.8	60.7	58.6	0.5
Providence	50.0	49.7	54.7	50.5	50.4	53.7	57.8	56.2	11.3
Rochester	45.9	49.5	54.8	49.8	55.2	55.7	55.4	54.9	10.2
St. Louis	NA	57.0	58.9	54.6	57.2	59.2	59.6	58.7	7.5
Salt Lake City	62.9	64.6	64.3	63.8	63.7	64.1	65.7	63.1	- 1.1
San Antonio	53.6	58.3	62.6	58.1	58.1	61.9	67.6	62.3	7.2
San Diego*	97.4	98.6	98.9	100.5	97.0	99.6	100.2	98.6	- 1.9
San Francisco*	121.6	124.9	129.5	126.6	122.0	128.6	136.5	129.4	2.2
San Jose	109.0	122.6	127.6	122.6	122.0	126.8	130.6	128.6	4.9
Tampa	51.9	53.9	55.5	53.9	52.0	55.2	58.2	55.4	2.8
Washington, D.C.	88.3	87.2	89.4	85.7	87.9	89.7	90.8	89.0	3.9

NA = Not available

* = Preliminary

** = Data for Los Angeles, San Diego and San Francisco provided by the California Assn. of Realtors

** = Includes Long Island and Newark

Source: National Assn. of Realtors, Economics and Research division

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More Americans can afford to purchase housing as income qualifications drop

NATIONAL REPORT—One of the unknown factors in the 1980's that will determine just how much demand materializes for housing is the ability of American households to afford housing.

The National Assn. of Realtors, the 600,000 member Washington, D.C., trade group, reports that resale homes have been more affordable lately than in any month in four years.

Income up

January figures, the latest available indicated that a household earning the United States median family income of \$24,844 had 86.2% of the income necessary to qualify for the purchase of the median-priced existing home, which cost \$71,900 that month.

That may not sound encouraging, but the figure was substantially better than in the past two years.

According to Dr. Jack Carlson, the association's chief economist and executive vice president, the percentage, de-

rived from the NAR's Housing Affordability Index, averaged 83.6 for 1983, the highest level since 1979, when the index reached 97.2.

The 1983 figure indicated that the median family income of \$24,700 was still \$4,846 short of the \$29,546 needed to qualify for purchase of the median-priced existing home.

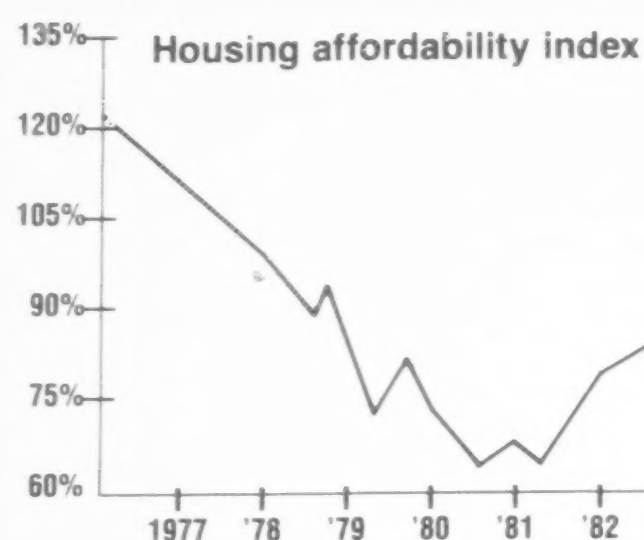
Mortgage payments

The average monthly principal and interest payment dropped in 1983 to \$616 from \$702 the year before, the association reported. Monthly mortgage payments consumed 29.9% of median family income last year compared with 35.9% in 1982.

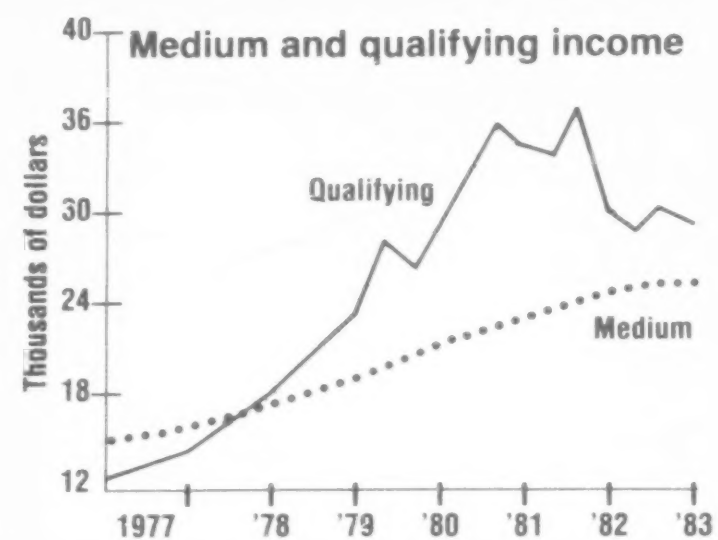
More affordable

Carlson noted that 36.2% of the existing single-family homes purchased throughout the country in January were priced at less than \$60,000—"which means they were affordable for households with the median family income."

More people can afford homes . . . as income qualifications decline



Source: National Assn. of Realtors



Prices of new single-family houses

Year	Total starts (mil. of units)	Avg. ann'l effective interest rates on conventional 25-yr. mortgages with 75% loan-to-price ratios	Median sales price (thousands)	Price index for houses, excl. lot 1977 = 100.0	Population* (millions)		Households (millions)	Per capita disposable personal income (in 1972 \$)
					Total	Aged 25-44		
1978	2.0	9.7%	\$55.7	114.3	222.6	59.4	76.0	4,440
1979	1.8	11.3	62.9	129.3	225.0	61.4	77.3	4,510
1980	1.3	14.0	64.6	143.3	227.6	63.5	80.8	4,490
1981	1.1	16.7	68.9	154.6	229.9	65.5	82.4	4,590
1982	1.1	16.6	69.3	158.2	232.1	67.6	83.5	4,570
1983**	1.7	13.5	75.0	162.0	234.2	69.7	83.9	4,650

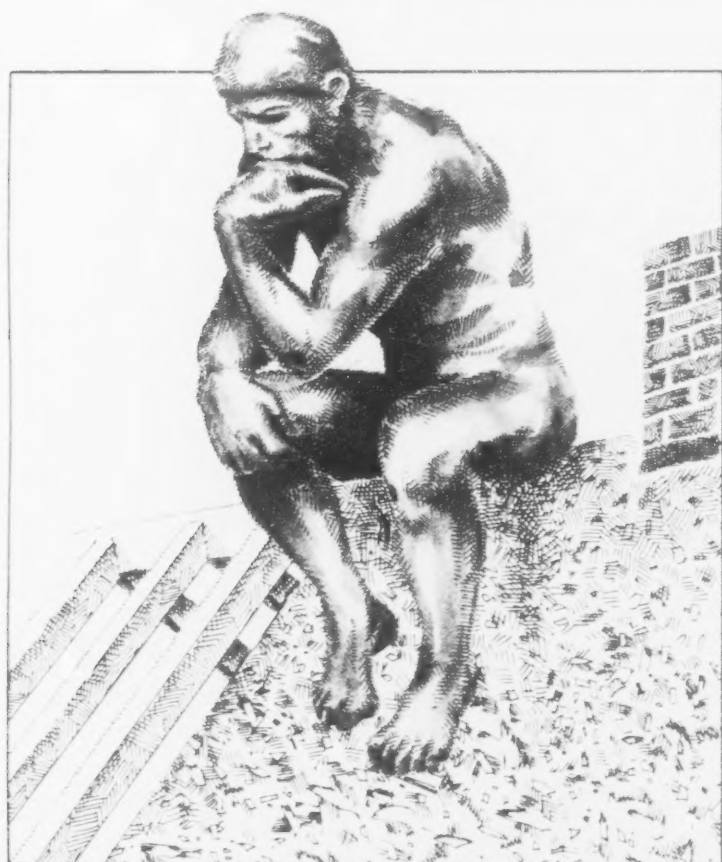
Sources: Bureau of the Census, Bureau of Economic Analysis, Federal Home Loan Bank Board, U.S. Commerce Department Industrial Outlook, 1984.

*The 1978 and 1979 estimates based on 1970 population Census; the data for 1980-83 based on 1980 Census.

**The population and household estimates for 1983 made by the Bureau of the Census. The other data for 1983 are estimates by the Bureau of Industrial Economics.

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Commerce Dept. warns: Interest rates threatening housing rebound

(Continued from page 73)

started in 1984 will total about 1 million to 1.1 million, about the same as in 1983," according to the new forecast.

Because of the lag between start and completion, the real dollar value of newly constructed single-unit homes probably will continue to rise this year, but at a "much slower rate" than in 1983, the Government said.

But again, the boogeyman is the massive Federal budget deficit.

Combined with increasing business demand for credit, Government borrowing to finance the deficit "may cause many potential homebuyers to be crowded out of the credit markets, especially if the economy continues to grow at very rapid rates," Commerce Department experts said.

If this happens, the number of new single-family housing starts could start falling again "at some point in the year," they acknowledged.

In view of the department's current expectations for credit market conditions, the 1984 outlook for multiunit building is for a slight (3.3%) dip in starts this year to about 600,000.

"The constant dollar value of construction of such housing should be appreciably higher in 1984 than in 1983, however, because much of the 1983 increase in starts of these housing structures will be reflected in rising construction activity" this year, the report concluded.

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Buyers spend \$50 million at 3-day BMA event

(Continued from page 2)
for the independent Fairfield Lumber & Supply in Connecticut, an affiliate of the company since 1975. "There's a positive attitude here that makes you feel like you're part of something."

Other dealers also seemed to relish the opportunity to make large purchases at special prices and with rebates, and many vendors reported heavy selling in their booths:

- Between 750 and 850 carloads of lumber were ordered through BMA's forest products

division, with a good portion having been preordered before the show commenced. This total compares favorably with the 500 carloads ordered in 1983.

"We've known for a while that we have the biggest buying show on a per-hour basis in the country, but this year was fantastic," said Frank Robinson, BMA's forest products vp. The show is open for about 17 hours over a 2½-day stretch.

- Tom Ledford, manning Black & Decker's booth, said the average order being placed by deal-

ers with his company at the show was "around \$4,500," and he estimated that 75% of the business B&D writes through BMA was transacted during this show. "I'd say 80% of the dealers who stop in our booth are placing orders," he said, adding that B&D was offering extended dating terms to retailers ordering \$10,000 or more in products.

- "We had one guy come into our booth and order 90 cases of locksets, 36 to the case," said Jim Connelly of National Lock as an example of the orders this Rockford, Ill.-based vendor was writing. "We're seeing the decision-makers here who are ready to buy, and the show is very professionally run for them and us."

Connelly also noted that the various cash and pricing incentives dealers were offered served as catalysts for the accelerated buying at the show. "Dealers know they can get rebates and dating terms here, so they hold off placing orders until the show, which is fine with us because it usually means they'll be purchasing in large quantities."

BMA's Snyder told *NHCN*

that an estimated \$500,000 worth of "spiffs" were redeemed by dealers at the show, and noted that the cash bonus was part of the total package being offered. "When a dealer comes to the show and is given special pricing, 60 to 90 day dating, and a cash discount on top of it, he's got to buy something," said Snyder, with obvious pleasure.

Some retailers, like White of Woodbury's, discounted the effects incentives had on their chains' buying decisions. "We're more interested in establishing long-term relationships with the vendors here," he said. On the other hand, Keith Weber, lumber buyer for the independent Crissey Fowler in Colorado Springs, Colo., admitted that "spiffs" from suppliers stimulated his company to buy more goods.

"If you can strike enough of the right deals, you can pay for your trip to the show," said Weber, who was walking the floor with his wife.

"Dealers will scratch and claw and hold out as long as they can to get to the best deal, and this is what we'd expect of them," said BMA's Robinson,

whose division was offering cash "spiffs" of between \$10 and \$1,000, depending on the size of the order.

While incentives made the show all the more attractive to independent retailers, the sheer amount of business available from this show, and the way the business is conveniently funneled through BMA, were seen as plusses by a number of vendors.

"The big advantage for us to sell through BMA is central billing and the protection you get against bum accounts," said Mike Scorti, co-owner of Miami-Carey, the bath fixture and accessories supplier that was exhibiting for the first time at the "Independent's Days" show since breaking off from the Jim Walters Corp. last year to become a private firm.

Scorti said he was "impressed with the show" and added his company was writing a lot of business. He also saw the show as most beneficial to the smaller dealer because, "when you're sitting out there with your independent lumberyard, you need somebody to talk to. The BMA people are that somebody."

Top 10 rankings shuffle

(Continued from page 2)
in total sales with \$929 million, third best on the total volume list.

While Lowe's, North Wilkesboro, N.C., had a 38% rise in total volume to \$1.431 billion, the highest in home center history, the 238-store chain benefited more from new home construction than from DIY growth last year. Still, DIY sales were up 27% from 1982 to \$724 million.

Wickes was in Chapter 11 bankruptcy proceedings for the full year, but it still made minor strides ahead in home center sales, according to *NHCN* estimates.

In 16 fewer stores, the 285-unit chain, including Wickes Lumber and Builders Emporium outlets, did \$805 million in total volume, 55% or \$443 million with consumers for a fifth place ranking in the Top 10.

Suth and Lumber jumped from No. 7 on the list in 1982 to No. 6 last year, ahead of 84 Lumber.

The Kansas City, Mo.-based company, with 82 units at the close of 1983, seven more than a year earlier, did \$426 million in DIY sales, 90% of its total volume of \$473 million in 1983. The chain's DIY sales were ahead of 1982's figure by 20%.

Hechinger maintained its eighth place ranking in terms of DIY sales by virtue of a \$307 million year. The Landover, Md.-based company was expected to benefit from a very strong fourth quarter and the addition of seven new stores in 1983.

Rickel leaped over both Scotty's and Ernst Home Centers, 1982's No. 10 home center

chain, with better than 20% growth in sales to \$275 million despite the addition of only two stores during the year. The South Plainfield, N.J.-based chain, No. 9 on the 1983 list, numbers 36 units.

Scotty's, Winter Haven, Fla., had 1983 calendar year sales of \$399 million, about 68% or \$271 million of it with consumers. The 105-store chain showed a 20% increase in DIY volume from 1982 to rank No. 10 on the list.

Lumbermen's hastens Oregon expansion

(Continued from page 3)
Wash., unit with its 10,000 sq. ft. of display plus an equal amount of storage. This store opened in February 1981.

The Clackamas, Ore., store will have 35,000 sq. ft. of display space and 30,000 sq. ft. of storage, making it far larger than other Lumbermen's units. However, chain officials expect future stores to be more on the size of the Redmond facility.

Although the Clackamas store is in a building that had been out of use for some time, future stores are all expected to be newly built. While locations for future stores have not been announced, Knudsen indicated that the chain looks for locations that have at least 100,000 people within a radius of five miles.

The Redmond unit has from 15,000 to 20,000 stock keeping units, a level that compares with that carried by previous Lumbermen's stores and which the chain expects to have in future stores as well. The store has some \$750,000 worth of in-

ventory.

Lumbermen's expects the Redmond store will sell from 40% to 60% of its merchandise to consumers, as do other stores in the chain.

Knudsen said the Redmond store, which sits on a five-acre plot, will probably generate some \$9 million to \$10 million in sales by the time it reaches maturity in about three years. This will make the store a significantly better performer than older Lumbermen's outlets, which have done about \$3 million to \$4 million annually.

The grand opening of the Redmond store, scheduled for March 9, was preceded by the distribution of 400,000 copies of a 48-page advertised tab, distributed through a combination of newspapers and direct mail. Homes in the Portland area received the tab in late February, while those in the Redmond area received the tabs in early March. Special offers included in the tab are good through the end of this month.

Expected to be included in the grand opening celebration were give-aways of some 200 prizes, as well as demonstrations of products such as wood stain, ready-to-assemble furniture, barbecue grills and chain saws.

An important part of the new Redmond store is a drive-through facility which has three 36-ft. drive aisles, each with two 12-ft.-wide loading lanes and one 12-ft.-wide passing lane. The facility has two double-sided cantilever racks and one single sided, all of which are up to 200 ft. long. The facility's roof is 22 ft. high, while forklifts are stocking merchandise to a height of 16 ft. inside.

Included in the drive-through are materials such as lumber, building materials, and some sand and gravel and concrete. Boards up to 20 ft. in length will be handled through the facility.

During the coming year, Lumbermen's will monitor the success of the drive-through

and will most likely include the concept in future stores.

One of the most important factors contributing to the chain's decision to install a drive-through was the success achieved over the past 12 months with a similar facility at Spenard's outlet on Tudor Road in Anchorage, Alaska.

Spenard's reported that from 450-500 cars pass daily through its drive-through, which operates from May-October. The chain plans to include the concept in all of its future stores.

"The use of a drive-through brings the warehouse and yard into a consumer shopping capability," said Knudsen. He added that the concept is part of a larger Lumbermen's strategy of improving merchandising through better signing and displays.

The drive-through will be open during regular store hours, which are 7:30 a.m. to 8 p.m. weekdays, 8 a.m.-6 p.m. Saturdays, and 9 a.m. to 4:30 p.m. Sundays.

Payless paces TV ad spending

(Continued from page 3)
back their reins on TV promotions.

In fact, BE, the Irvine, Calif., chain which had been a perennial spending leader for television ads over the past several years, dropped down to fourth place from first this year, whereas the Atlanta-based Home Depot, which grew to 19 stores from 10 in 1983, jacked up its TV ad budget 177% to \$2.51 million and climbed into the third slot on the TVB rankings.

As evidence that the larger home center chains in general were directing more of their ad monies to television, National Lumber, the 13-unit Santa Ana, Calif., chain, dropped three notches to sixth place this year, despite having increased its TV ad budget 22% to \$1.69 million.

All told, nine home center chains spent over \$1 million on television last year, compared with only four in 1982, and another two companies—Hechinger and Ole's Home Centers—also hovered around the \$1 million mark.

Leading this year's pack was the Kar as City, Mo.-based

Payless, which added the highly promotional Lumberjack chain to its fold last year. In total, the chain spent \$5.6 million on television in markets where it operates "Payless," "Furrow" and "Lumberjack" units, a 220% jump over 1982.

These increases are even more remarkable when viewed against the 3,181.6% increase in television advertising to \$1.3 million Payless expended in 1982 over 1981 (excluding the Lumberjack stores).

It appears that as the company continues to expand primarily by "clustering" more stores in existing markets (as in Dallas, Denver, Phoenix and Houston), television advertising will become even more important in developing customer awareness of those units.

The largest percentage increase among the 15 top advertisers this year was seen at Angels, which showed a 2,593% gain in TV expenditures to \$614,000 for its stores in the Los Angeles and Phoenix markets.

Angels is part of the 52-unit W. R. Grace's western regional division in City of Commerce,

Calif., which spent another \$400,000 on TV ads last year in Denver, west Texas and New Mexico, where it operates Cashway and Handy Dan units.

"We will be making a bigger commitment in Phoenix in 1984, and possibly in Denver," said Lucia. He explained that the huge ad expenditure increase this year reflects the basic "philosophy" of the division's current management.

Ironically, the expenditures for television ads for the Handy Dan units in Dallas and Denver, which ranked 15th on TVB's 1982 list, were not even in the top 20 this year. Vendors and market sources told *NHCN* earlier this year that Grace's central division in San Antonio, Tex., which operates most of the Handy Dan units as well as Handy City and House Works, had been directed by Grace's New York headquarters to discontinue television advertising briefly. This could not be confirmed with company officials, but the drop in ranking for the Handy Dan chain could suggest a temporary halt in television ad expenses.

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National Home Center News

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April 9, 1984

BE opens warehouse unit

Tests cluster store concept

By Brad Altman
NHCN West Coast editor

TUSTIN, Calif.—Treading on the heels of DIY dealers that have blazed the warehouse path, Builders Emporium has opened its first warehouse home center in this Orange County community.

The 50,000-sq.-ft. BE outlet is being called a super store—not a warehouse—but its concrete floors, 7-ft.-high racks with extra stock on top and the store's lack of a drop ceiling epitomize the warehouse retailing formula.

Chain officials are characterizing the new unit as a prototype that could be duplicated in the Los Angeles-Orange County markets, where the Irvine, Calif.-based retailer has more than 40 of its 58 stores.

Wickes shows
a profit, Page 2



BE/Wickes execs (l.-r.): Martin Bocola, Jeff Chanin and Anthony Swies at new "super store."

NHCN photo

The day before the Tustin store's grand opening, March 16, BE opened its first store in nearly two years—a 25,900-sq.-ft. facility on La Cienega Boulevard in Los Angeles. BE was planning to open its third unit of the year in Inglewood on April 15. Sunnymead, Calif., was the site of BE's last opening—in June 1982.

Besides the warehouse look, BE's super store is different from its conventional units in

two significant ways: it has an expanded lumber and building materials emphasis and it has no lawn and garden department.

The outlet is a retrofitted Wickes Lumber at Edinger Avenue and the Newport Freeway—a seven-acre site shared with an existing Nurseryland garden center. BE is contractually prohibited from selling green goods and related prod-

(Continued on page 74)

Channel launches builder sales plan

Lower pricing strategy implemented chainwide

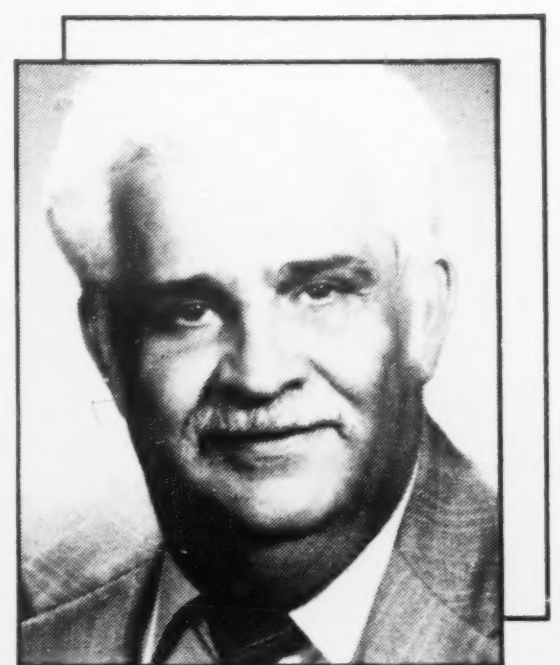
By Greg Puchalski
NHCN senior editor

WHIPPANY, N.J.—Channel Home Centers, traditionally a 100% DIY company, is taking aim at contractor and commercial sales in its marketing areas through the development of a new store-level program, company officials have announced.

The W. R. Grace-owned company has tapped 25-year Channel veteran Vincent Franzini to head its effort to attract the professional customer. Franzini has left his position as vice president and divisional merchandise manager for lumber and building materials to become vice president, contractor and commercial sales.

Meanwhile, in an apparent move to solidify and expand its DIY base, Channel officials confirmed that the 98-store chain has gone chainwide with a lower pricing strategy which was initially unveiled when Channel debuted in the Washington, D.C., area last year (NHCN, Sept. 26, 1983).

"It is clear that we went into Washington with a different pricing strategy," vice president and general merchandise manager William Fredericks told NHCN. "We have been



Vincent Franzini is heading Channel's efforts in the contractor and commercial areas as vice president, contractor and commercial sales.

pleased with it there and we're using the same approach elsewhere."

The move comes as Rickel Home Centers, Channel's chief competitor in New Jersey, has been promoting price as a drawing card in recent months and has implemented a "We won't be undersold" policy which offers a customer an additional 5% off a lower advertised price on an identical item.

Regarding Channel's con-

(Continued on page 74)

Bowater rises in Shreveport, La.; chain's 1st store outside Texas

By John Caulfield
NHCN senior editor

SHREVEPORT, La.—Bowater Home Centers opened its fifth warehouse unit, and first outside of Texas, on March 15 in this city of about 190,000.

The chain will also be operating one, and possibly two stores in Baton Rouge, La., by this

summer. It has signed a lease on a 79,000-sq.-ft. former Woolco unit and, according to president Ralph Dillon, is evaluating a second site to be leased for a fall opening.

Baton Rouge, the state's capital with a city population of about 213,000, could become a hot home center market soon.

NHCN has learned that at least one other warehouse chain is assessing the market for possible entry this year.

More immediately, Bowater's newest store is a 79,000-plus-sq.-ft. Woolco unit located on the corner of 70th St. and Mansfield Highway. Its opening came only two weeks after Bowater began operating a 79,900-sq.-ft. unit in its headquarters city of Plano, Tex.

These two stores incorporate several of the merchandising "refinements" the chain has enacted since opening its first stores in August of last year.

Dillon told NHCN that, with these stores being approximately 4,000 sq. ft. larger than Bowater's Mesquite, Richardson and Arlington, Tex., stores, about \$200,000 worth of products have been added to the new units' mix.

"We've expanded some of our basic assortments but have not added any new product groups," he said. In the new stores, greater product depth can now be found in the lawn and garden departments, and the lumber and building materials section—which currently accounts for about one-third of Bowater's total sales—has had its inventory beefed up.

In these stores, the company is experimenting with different-colored aisle signing for

(Continued on page 73)

Monsanto ruling regarded only partial retailer victory

By Ken Rankin
Washington correspondent

WASHINGTON—While the Supreme Court last month upheld a \$10.5 million Federal resale price maintenance award against Monsanto Chemical, the ruling was not a clear-cut

victory for supporters of tough legal restrictions against resale price maintenance activities.

In a move certain to be welcomed by home center operators, the Court simultaneously dismissed Justice Department efforts to resurrect Fair Trade-style resale price fixing activities against retailers.

However, the Court also established what some Washington antitrust experts have described as a "higher standard of evidence" for proving resale price maintenance conspiracies, a development that could make it more difficult for retailers and wholesalers to win price fixing cases against manufacturers in the future.

The immediate effect of the Court's 8 to 0 ruling (Monsanto

c. Spray-Rite, No. 82-914), was to sustain a \$3.5 million antitrust award against Monsanto (which is trebled under Federal Law), and to uphold a lower Federal court's decision that the manufacturer "conspired" with a number of its herbicide distributors to engage in an illegal resale price fixing scheme.

The victim of that conspiracy—Spray-Rite, a price-cutting wholesaler of herbicide products—was discontinued as an authorized distributor by Monsanto more than a decade ago, following complaints from other distributors about the wholesaler's discount pricing practices.

Monsanto's appeal of that lower court ruling hinged on the manufacturer's claim that Spray Rite was discontinued for reasons other than those complaints.

The Federal appeals court rejected that argument, concluding that the termination of a price cutter following, or "in response to" complaints from other distributors is sufficient evidence of the existence of a

(Continued on page 74)

NEWSBREAKS

DORF TO HOW. Bill Dorf has joined HomeOwners Warehouse, Margate, Fla., as vp/gmm, from Rickel, where he held a similar post.

LINDSLEY OPENS FIRST WAREHOUSE. Lindsley held a grand opening March 18 for a 40,000-sq.-ft. warehouse-style home center in St. Petersburg, Fla., the chain's first warehouse store.

INSIDE:

BUSY BEAVER exits Columbus, Ohio, but sets its sights on Youngstown market Page 2
THE HOME TEAM begins to fill out its management staff with some former Hechinger and K mart execs Page 3
SCOTTY'S HARDWARE STORES' early success prompts the demise of the chain's no-frills Thrifty store test Page 19
HOME CENTER INDUSTRY LEADERS packed Arnie's in Chicago for 9th annual NHCN Home Center Show party Pp. 20-21
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FOREST CITY's first warehouse store unveils some innovative display techniques Page 35
SECURITY HARDWARE locked up the bulk of sales in the hardware & tool category of a recent industry survey Page 53
ENGLAND's MAJOR DIY CHAIN imports many distinctly American advertising and promotion ideas Page 56
INTERPRETING MARKET RESEARCH is key to improving store performance: Marketing Strategies column Page 56

NHCNews Briefs

Industry Update

Wickes posts \$28.4M net profit

SANTA MONICA, Calif.—Wickes turned its first profit in three years during its fiscal year ended Jan. 28.

The company recorded \$24.8 million in net profits in the period on a 9% increase in volume to \$2.9 billion compared to a net loss of \$248.7 million on sales of \$2.6 billion in the previous fiscal year.

The net income figure included income from continuing operations of \$9.5 million after a \$143.4 million loss in the previous year, income from discontinued operations of \$3.7 million against a loss of \$105.2 million a year ago and an extraordinary credit for operating loss carryforward of \$11.6 million during the year.

In the fourth quarter, Wickes reported net income of \$1.5 million on \$730.1 million in sales against a net loss of \$15.9 million on sales of \$673.3 million a year ago. The most recent fiscal fourth-quarter's income included a loss from continuing operations of \$741,000, income from discontinued operations of \$765,000 and a credit for operating loss carryforward of \$1.5 million.

Rickel readies Baltimore entry

BALTIMORE—Rickel Home Centers hopes to debut its first store in this market in the latter part of this year.

Combined with the opening of six Channel Home Centers in the area this year (NHCN, Feb. 27), the arrival of Rickel will intensify competition here. Hechinger and Scott's each operate six stores in the market while The Hardware Fair with 10 outlets and Inner Harbor Lumber & Hardware with two serve as the prime DIY competitors.

Although Rickel plans only one store here immediately, chairman Stanley Abramson said it was a "safe presumption" to expect other Rickel outlets to join its first Maryland store in the Baltimore area.

Abramson said no decision has been made as to whether the new Rickel will feature a warehouse format. Rickel has begun converting its Warminster, Pa., unit to the concept in what may be a test. Officials would not comment on the conversion.

Sears P&H stores expand mix

CHICAGO—Sears has added outdoor power equipment for the first time to the lawn and garden tool mix carried in all its five Paint & Hardware Stores.

Lawn mowers, electric trimmers and hedgers and, where practical, chain saws, are now being sold at these "convenience" units, along with manual lawn tools like rakes, hoes and shovels which had been carried since the stores first opened.

"We're still experimenting with the hardware mix in these stores," said Sears' home improvement vp John Parsons in an interview with NHCN just before he delivered an address at this year's National Home Center Show here.

Parsons also noted that Sears has closed its Upland, Calif., store and replaced it with a Paint & Hardware unit in the Orange County city of Garden Grove. He conceded that Sears was "just not ready yet" to roll out the Paint & Hardware store concept into other markets.

"When we opened these stores, we didn't soft soap them, so, of course, we had certain details in merchandising that needed to be worked out, and still do," he said. "We're getting a wealth of knowledge out of the stores by doing exit interviews with customers."

When asked about the Paint & Hardware stores' sales, Parsons would say only that they have been "good." He did note, though, that customers have had a hard time spotting the units from the highway, and Sears is now developing pylon signing for the stores to give them higher visibility.

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Busy Beaver leaves Columbus; targets Youngstown with whse

COLUMBUS, Ohio—Busy Beaver is closing its three five-year-old stores here and turning its attention to setting a firmer base in another Ohio market, Youngstown, later this year.

Jack Fagen, president of the 24-store chain, said late last month that his company was in the process of liquidating inventory and selling two of the Columbus stores and subleasing the third to nonhome center retailers.

While Busy Beaver leaves its Westernmost market, it is turning eastward for the opening this fall of its largest store, a 55,000-sq.-ft. unit featuring a significant amount of warehouse racking and major appliances, in Boardman, Ohio, a Youngstown suburb. While doing this, Fagen said, the chain will convert its other Youngstown unit, a 45,000-sq.-ft. outlet in Niles, Ohio, including a similar format.

The stores will be the first in the chain to have warehouse-type retailing and the second and third to carry appliances, according to Fagen. The Busy Beaver in Erie, Pa., is the only other store to offer the brown and white goods now.

In an unrelated move, former Wickes Europe executive Charles Bender has succeeded George Summerell as executive vice president.

Concerning Columbus, where the chain had 25,000-sq.-ft. units, each with 7,500 sq. ft. of adjacent outdoor nursery area, Fagen said, "We weren't satisfied with the results in Columbus. They were profitable stores but did not comply to our profit objectives."

He noted that competition, which has heated up in the market since Busy Beaver arrived in 1979 and promises to intensify when Homeowners Ware-

house opens two units here this summer (NHCN, March 12), was not a factor in the decision.

Since 1979, however, Central Hardware has added four stores, Payless Cashways three and Southerland Lumber two to go along with its other unit in the market.

Busy Beaver is not the only major DIY chain to enter and leave the market in recent years. Wolohan Lumber opened its prototype store in the Columbus suburb of Hilliard, Ohio, in 1981 but early last year sold the store to Sutherland because it did not generate sufficient contractor business, officials said (NHCN, Feb. 14, 1983).

In the Youngstown market, the combination warehouse/conventional units will show its lumber and building materials on the racking and officials are considering putting such other

(Continued on page 73)

Housing starts exceed 2 million mark for first time since 1978

NATIONAL REPORT—February's seasonally adjusted total housing starts topped the two million mark for the first time since 1978 with 2.19 million units, an increase of 11.2% over January's revised figures.

February was a month of "abnormally warm weather particularly in the Northeast and North Central regions, as a result more houses were started" than is usual for the time of year, said Dean Crist, economist with the National Association of Home Builders.

The Northeast region increased its housing starts by 53% over January to 296,000 units and the North Central region was up 4.7% to 333,000 units seasonally adjusted.

The South reached its highest level since March 1973 with 1.1 million units, seasonally adjusted, a 20% increase over January.

The West, however, dropped 15% recording 459,000 housing starts, seasonally adjusted, leveling off after its unusually high level of building activity in January.

Single family housing starts reached their highest level since December 1978 accounting for 1.36 million units seasonally adjusted or 62.5% of all housing starts in February.

Over the last four months single family housing starts averaged 63% of all housing starts underlining their importance to the building supply industry.

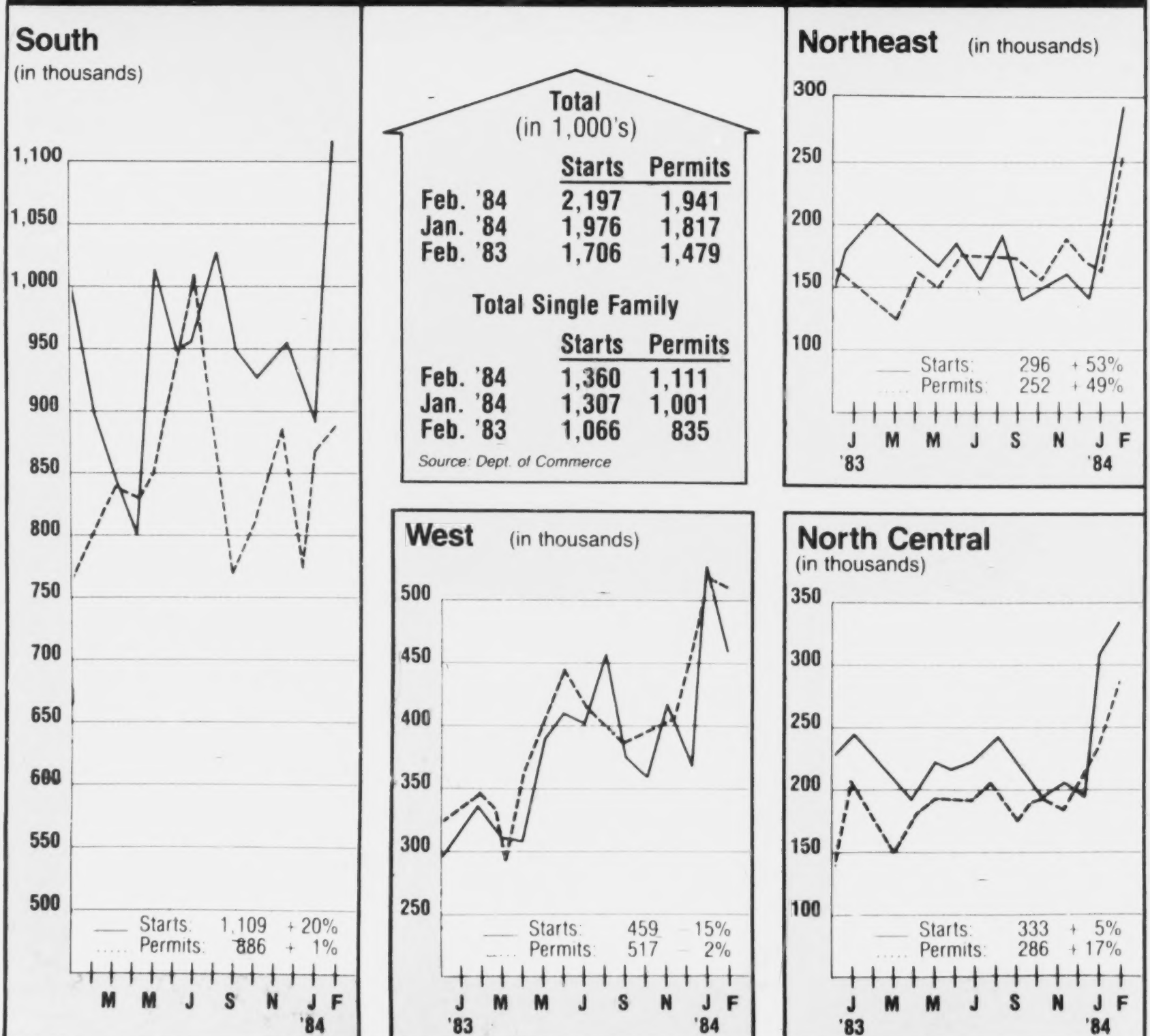
This performance is similar to last year when they averaged 64.1% of all housing starts between November and February.

Total building permits, an indicator of future housing activity, were also strong, up 7% from the previous month to 1.94 million units seasonally adjusted, with single family permits up 11% to 1.11 million units.

Economists were doubtful that these high levels of housing starts and permits could be sustained over the next months.

Building permits rose in three regions with the largest increase in the Northeast up 49% over January to 252,000 units, seasonally adjusted.

February home-building activity



February's seasonally adjusted housing starts reached 2.19 million units, an increase of 11.2% over January's revised levels. The South recorded its highest starts since March 1973 with 1,109,000 units. Building permits were strong up 7% to 1.94 million units, with increases in the Northeast, North Central and South regions.

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hechinger	1/28-4th qtr. 1/28-Year	\$ 78,977 309,499	\$ 56,421 241,261	40 28	\$ 5,144 16,243	\$ 3,718 11,744	38 38
The Home Depot	1/29-4th qtr. 1/29-Year	82,495 256,184	30,245 117,646	173 118	3,249 10,261	1,293 5,315	151 93
Payless Cashways	2/25-1st qtr.	197,549	148,076	33	2,605	3,431	24
Rickel Home Centers	1/28-4th qtr. 1/28-Year	67,506 275,000	54,230 223,700	24 23	— —	— —	— —
Wickes	1/28-4th qtr. 1/28-Year	730,117 2,875,085	673,314 2,638,215	8 9	1,488 24,794	15,926 248,682	— —

* \$ in thousands

Source: Company reports

FINANCIAL NEWS

Fiscal '83 sees Wolohan's net income pass \$1M mark

SAGINAW, Mich.—Wolohan Lumber posted its best financial results since 1979 with 1983 net income of \$1,348,000 on sales of \$112.4 million, company officials said.

The 35-store chain's net in-

come exceeded the \$1 million mark and its sales passed the \$100-million level for the first time in the 1980's. Earnings were 111% better in 1983 and sales were up 26% from 1982, according to officials.

Wolohan president David F. Wallace said officials were happy with the improved results, "but recognize the need for a higher return on sales."

Earnings were favorably affected by the sales gain but adversely affected by an increase in the last-in, first-in (LIFO) adjustment of \$720,000 compared to a credit of \$170,000 in the previous year. This effect, in part, reduced gross margins from 24.7% last year to 24.1% this year.

The company also reported a change in the method of recognizing a gain on the sale of a closed retail center from the full accrual method to the installment method.

The gain, related to the sale of a Cherry Grove, Ohio, store in the second quarter of 1983 to a nonhome center retailer, is now being recognized as payments are received. As a result, second-quarter net income required an adjustment from \$879,000 to \$725,000, officials said.

A LIFO adjustment as well as start-up costs at new stores cut into fourth-quarter income somewhat, officials noted.

Fourth-quarter net profits totaled \$202,000, down 4% from the same period in 1982, on sales of \$28.4 million, up 14% from the prior year.

The LIFO adjustment totaled \$150,000, up from a \$435,000 credit in the fourth quarter a year ago, according to corporate controller David G. Honaman. This helped drop gross margins from 26.7% in the last quarter of 1982 to 24% in the last quarter of 1983.

New-store costs were related to the acquisition of the former Dunlap's Home Improvement Centers in Columbus and Madison, Ind. (NHCN, Dec. 12, 1983), and the relocation of Wolohan's flagship store in Saginaw to a 25,000-sq.-ft. facility, Honaman noted.

Lowe's abruptly halts slowing sales growth

NORTH WILKESBORO, N.C.—The slowdown in sales growth lasted only one month at Lowe's.

Following significantly lower sales gains of 21% overall and 15% to builders in January than in previous months (NHCN, March 26), Lowe's recorded a 41% overall sales increase to \$98.4 million in the four weeks ended March 2, officials reported.

The sales growth at the 238-store chain stemmed from a 50% increase in volume to builders, who accounted for \$56.3 million in sales, or 57% of the total, and a 32% rise in sales to DIYers to \$42.1 million compared to year-ago figures.

Color Tile's volume up 37% in February

FORT WORTH—Sales at Color Tile stores opened for at least a year increased 33% in February, company officials said.

The increase helped boost February's overall volume by 37% to \$24.3 million at the 600-plus store chain compared to February 1983, they noted.

STOCK PRICES

	As of 3/21	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	39 3/4	47 3/4	34 1/2	21
Edison Bros. Stores (NYSE) [Handyman, Homers]	38 3/4	46 3/4	35 3/4	9
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	6 1/2	19 1/2	6 1/2	—
Forest City (AMEX)	A 15 1/2 B 15 1/2	20 1/2	10 1/2 13	11 11
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	41 1/4	50 3/4	38 3/4	13
Lowe's (NYSE)	20	32 3/4	17 1/2	14
Michigan General (AMEX) [Diamond Lumber]	6 3/4	14	4 1/2	18
Pay 'N Pak (NYSE)	14	24	12 1/4	12
Payless Cashways (NYSE) [Furrow]	17 3/4	34 1/2	16 1/2	14
Scotty's (NYSE)	14 1/2	20	14	12
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	19 1/2	19 1/4	12 1/2	—
Standard Brands Paint (NYSE)	20 1/4	28 3/4	18	12

Nasdaq—over-the-counter stocks

	As of 3/21	52-week High	52-week Low	P/E Ratio
Color Tile	17 1/2	27 1/2	13 1/2	—
Hechinger	A 16 1/2 B 16 1/2	24 1/4	15	— —
The Home Depot	18 1/4	31 3/4	14	—
Pay 'n Save	20 1/2	29 1/4	17 1/2	—

Over-the-counter stocks

	As of 3/21 Bid	As of 3/21 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	24	26 1/2	25 1/4	16
Hines Lumber	34	—	41 1/2	19 1/2
Home Centers of America [units]	19 3/4	—	51 1/2	13 1/4
Homecrafters Warehouse	15	15 1/2	17 1/2	12 1/2
National Lumber	8 3/4	9 1/4	13 1/4	8 3/4
Scott's Seaboard [Scott's]	3 1/4	3 3/4	1	5
Wolohan Lumber	5	5 1/2	10 1/2	4 1/2

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*For test information and results, send a request for information, on your company letterhead, to Test Results, United Coatings, Inc., 3050 N. Rockwell, Chicago, IL 60618.

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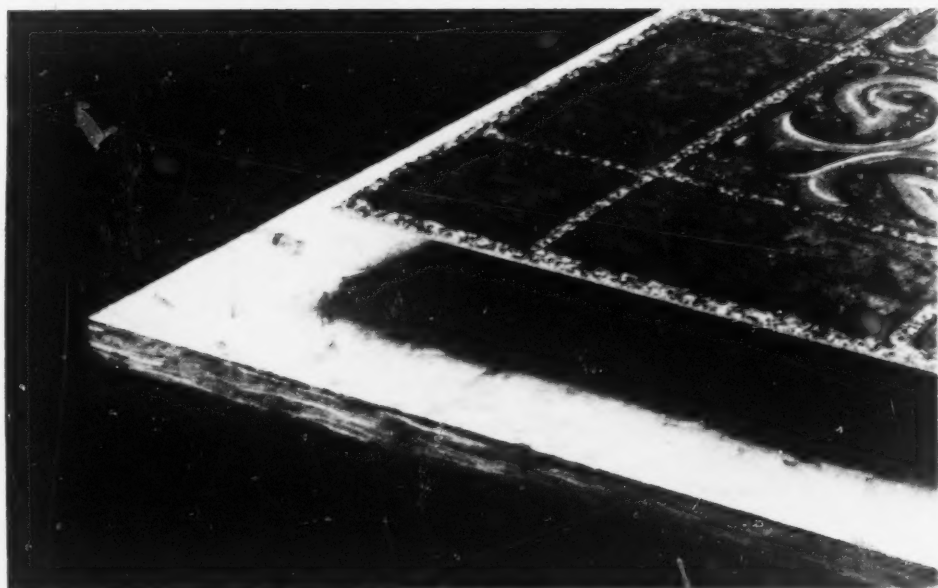
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LUMBER REPORT

Power retailing will require hi-performance wholesaling

By Hawk Furman
Special to NHCN

Lumber wholesaling will change dramatically in the next decade. Changes in the industry, with giant home center chains getting even larger and lumber manufacturers consolidating, are forcing wholesalers to respond. And only the strong among them will survive.

In this respect, the lumber industry is following the tracks of the food industry. In the northeastern United States in the 1950's, there were countless independently owned food stores and there were 1,200 food brokers. These brokers allowed thousands of manufacturers to reach these stores.

Today, chains dominate the food industry and there are only a handful of food brokers serving 90% of the grocery trade in the Northeast.

For lumber wholesalers to survive as the same dynamics begin to apply to this industry they must add value for the manufacturers and retailers. The lumber wholesaler must be able to provide services more efficiently and at less cost than the manufacturer or retailer can provide for themselves.

According to distribution expert George Webster, by 1990, "wholesaling will be sparked by high performance management where the weak will be eliminated and the small will survive by guts and determination."

The battle for wholesaler survival will involve several key factors including computerization, warehousing, re-manufacturing, transportation and marketing aids.

Computerization

The lumber wholesaler of the 1980's will use the computer in hundreds of ways to improve efficiency and lower costs. A salesman will be able to instantaneously quote an inquiry by using his computer terminal to search out stock status on railcars, in warehouses, reloads and port facilities. Shipment will be tracked more accurately. Order entry will allow for more error-free invoicing and help lower overhead. Transportation routes and rates will flash in seconds on CRT's to insure the fastest and/or least expensive routes. In the not too distant future, home center store manager will order fill-ins by phone into the wholesaler's computer. There will be a "routinization" established that will cut costs, save time, and insure consistency of supply at a low cost.

Warehousing

Warehousing is a very costly venture. Home centers that operate these warehouses, besides having carrying costs, have to deal with obsolescence, depreciation, pilferage, breakage and storage costs, insurance and taxes. Central warehousing by home centers will continue to disappear as high performance wholesalers take over the function. The wholesale distribution yard will allow the purchasing agent to control his inventory and select the product mix he desires. Lead time will be cut down and dollars will be freed for more pro-



'High performance wholesalers of the 1980's will have scheduled on-time deliveries like food brokers today. Gone will be the practice of saying, "it will be there sometime in the next two weeks."'

—Hawk Furman

ductive use. High performance wholesalers of the 1980's will have scheduled on-time deliveries like food brokers today. Gone will be the past practice of saying "it will be there sometime in the next two weeks."

Re-manufacturing

Lumber manufacturers are geared to volume. Their goal is to lower unit costs. This presents a problem to the retailer who often wants precision trims or special patterns. Wholesalers will be doing more secondary manufacturing of wood products to meet the need of the home center for short board programs and for ripping, resawing and special pattern stock requirements. The remanufacturing capability will allow the retailer to take dead inventory or "dog items" and turn them into salable products by trimming, planing, resawing or ripping.

Transportation

Deregulation has opened the door for those who move volume to have clout. Large, high performance wholesalers will use this clout to provide more reliable delivery of material at the lowest cost. Wholesalers will maintain small fleets of trucks at their distribution sites to insure on time delivery and meet the need of the home centers in an emergency.

Marketing aids

The high performance whole-

saler of the 1980's will work very closely with home center personnel on marketing. They will provide educational seminars on new and old products for the purpose of getting the retail salesmen to feel more comfortable in selling these products and meeting the needs of the consumer. End-use application of products will be stressed so salesmen can help customers visualize how their projects can be best completed.

Wholesale personnel will man retail booths, both at home-owner and contractor trade shows. The professional wholesaler will provide marketing ideas and merchandising aids such as: point-of-purchase brochures, posters, displays, ad slicks and cooperative advertising allowances. Some will even produce radio and television advertising for their customers.

Gone are the glory days of the lumber transit wholesalers. Price is no longer the clincher in the marketing of commodity lumber and lumber products. Price actually ranked fifth in priority to other items including: quality, good delivery and consistency of supply in a recent home center survey. In the 1980's and 1990's, there will be a better working relationship between the high performance wholesaler and the high performance home center chain, which will result in more satisfied customers and a better bottom line for the home center.

FUTURES

Two weeks ended March 15, 1984							
	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; \$ per 1,000 bd. ft.							
March '84	183.50	175.50	181.80	176.90	18	240.50	170.60
May	201.90	193.60	201.90	194.30	3,746	245.50	182.00
July	211.80	202.70	211.80	203.60	2,066	252.50	190.30
Sept.	211.20	204.00	211.20	204.90	1,001	236.00	193.30
Nov.	209.80	203.30	208.50	204.20	904	228.80	196.00
Jan. '85	212.30	207.00	211.80	208.40	148	221.30	202.30
March	215.00	212.00	215.00	212.50	66	220.00	209.30
Total Contract Vol. (Through 3/15): 18,232				Previous Two Weeks: 25,136			
Total Open Interest (As of 3/15): 8,054				Previous Week: 8,601			
Cash Price: \$184.24				Previous Week: \$179.34		Year Ago: \$179.34	
PLYWOOD (CBT)—76,032 sq. ft. 1/2-in. ext. 4/5-ply; \$ per 1,000 sq. ft.							
March '84	198.00	195.00	197.30	196.00	5	225.00	183.00
May	201.50	197.00	199.30	199.30	214	208.50	187.50
July	205.70	202.00	203.30	202.80	65	210.00	190.50
Sept.	208.00	204.50	206.30	206.00	12	212.50	199.00
Total Contract Vol. (Through 3/15): 139				Previous Two Weeks: 644			
Total Open Interest (As of 3/15): 296				Previous Week: 269			
Cash Price: \$196.00				Previous Week: \$196.98		Year Ago: \$190.12	
COMMODITY RESEARCH BUREAU INDEX:				This Week	Previous Week	Year Ago	
				279.9	280.4	235.8	
CME—Chicago Mercantile Exchange				CBT—Chicago Board of Trade			
*Figures for Thursday, March 15.							
Open interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.							

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